

BEFORE THE FEDERAL TRADE COMMISSION

In The Matter of Petitioners
Nordic Clinical, Inc. and Encore Plus Solutions, Inc.

**PETITION BY NORDIC CLINICAL, INC. AND ENCORE PLUS SOLUTIONS, INC.
TO STAY CIVIL INVESTIGATION AND QUASH CIVIL INVESTIGATIVE DEMANDS**

Petitioners Nordic Clinical, Inc., and Encore Plus Solutions, Inc. (hereinafter, “Petitioners”), pursuant to 16 C.F.R. § 2.10, hereby petition the Federal Trade Commission (“FTC” or “the Commission”), to stay the FTC’s civil investigation and quash two Civil Investigative Demands [for] Oral Testimony (“CIDs”) pending the resolution of multiple parallel criminal investigations currently proceeding against Petitioners and their owners and officers.

**I.
INTRODUCTORY STATEMENT**

The United States Government (“Government”) is conducting this civil investigation on a parallel basis with multiple, active criminal investigations of Petitioners and their owners, [REDACTED] and [REDACTED]. The CIDs themselves warn that the Commission can share Petitioners’ responses with other law enforcement agencies. However, the Government is not constitutionally permitted to use civil proceedings (including CIDs) to seek information in circumvention of the restrictive nature of criminal discovery. Under such circumstances, a stay of the FTC’s investigation is required in order to avoid compelled self-incrimination, which is prohibited by the Fifth Amendment to the United States Constitution.

Petitioners also note additional problems associated with the CIDs. All of Petitioners’ owners, officers and employees are citizens and residents of Canada. The CIDs purport to compel these foreign citizens to appear at depositions in Florida. *See* Exs. A & B at 3 (identifying time and place of hearing). Service of the CIDs has thus far been limited to a Federal Express package

delivered to Petitioners' counsel in New York City, which is insufficient. Accordingly, all objections with respect to personal jurisdiction, service of process, venue, forum nonconveniens, deposition location, etc., are hereby asserted as additional reasons to quash the CIDs.

II. **BACKGROUND**

A. PETITIONERS AND THE CIDs

True and correct copies of the two CIDs are submitted herewith as Exhibits A and B.

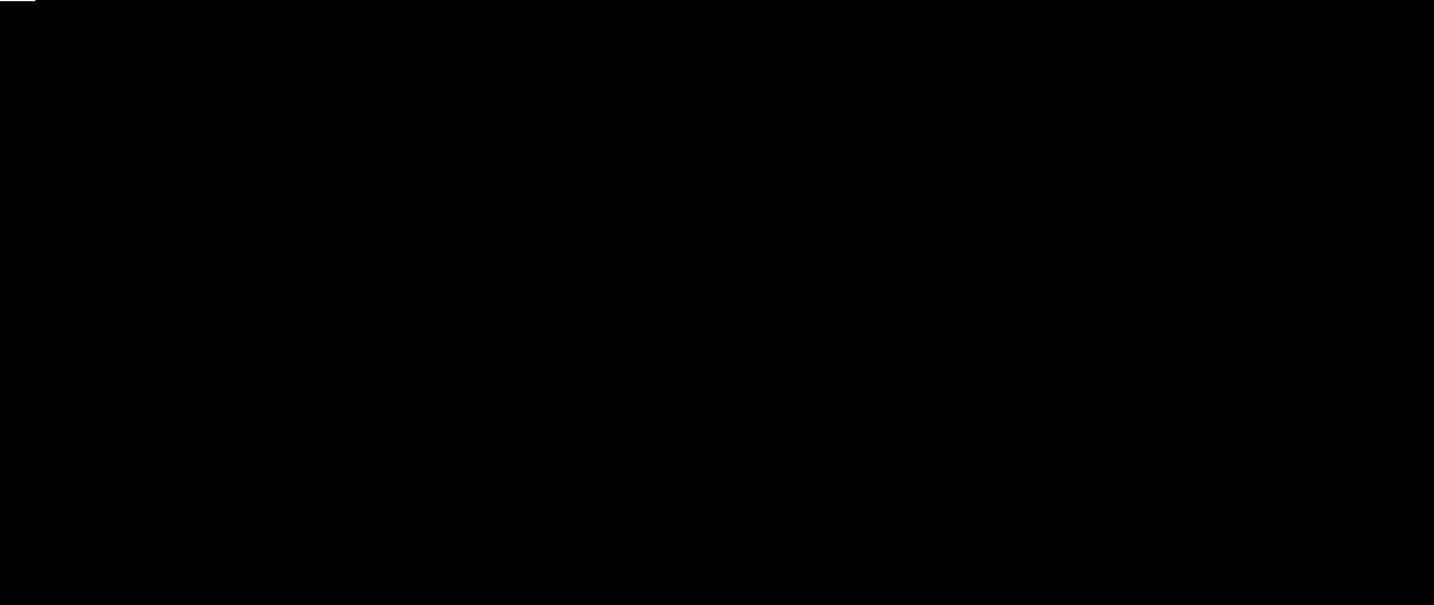
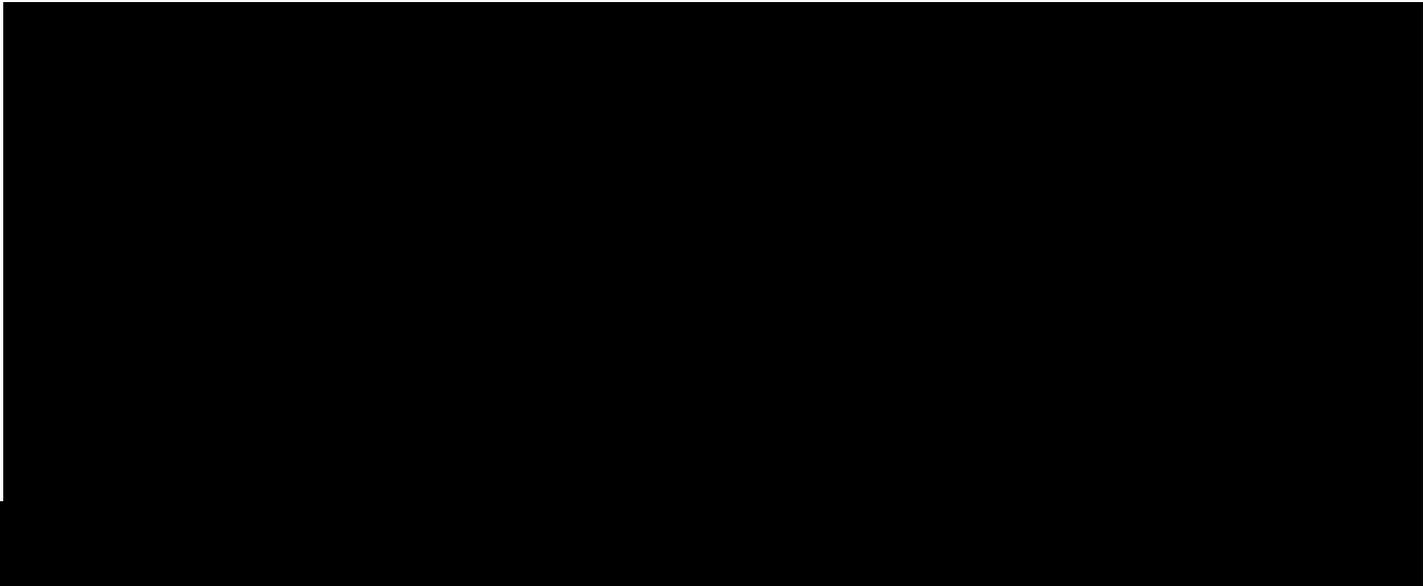
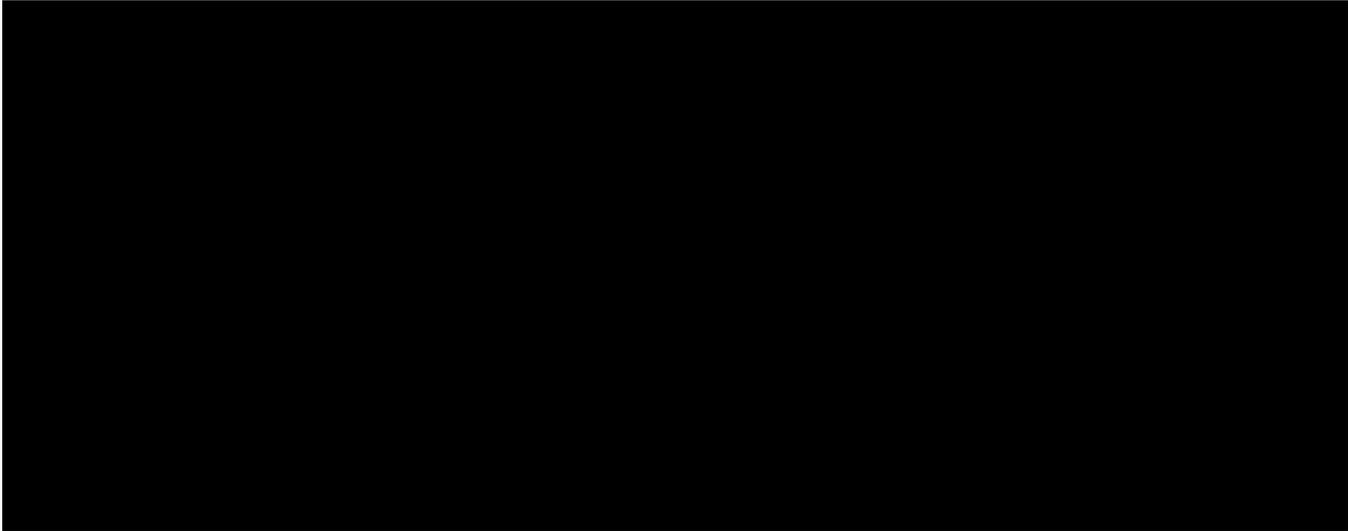
Petitioner Nordic Clinical, Inc., LLC is a Delaware entity with an address of 4737 North Ocean Drive, Suite 111, Ft. Lauderdale, FL 33309. Nordic's principal place of business is located at 7830, rue Blaise-Pascal, Montreal, QC, Canada. Nordic has no domestic employees and is owned by two Canadian individuals, [REDACTED] and [REDACTED].

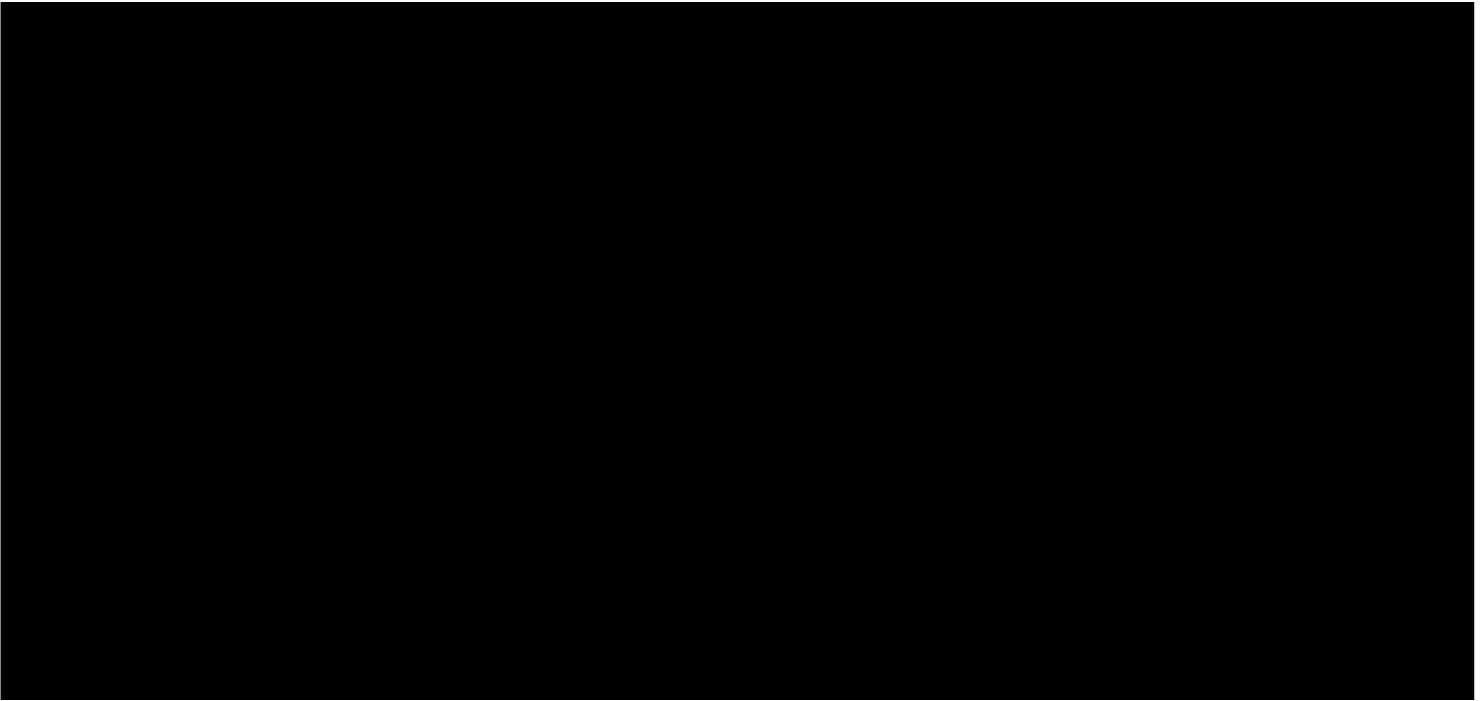
Petitioner Encore Plus Solutions, Inc. is a Florida entity with an address of 3109 Grand Avenue, Suite 102, Miami FL 33133. Encore's principal place of business is located at 7830, rue Blaise-Pascal, Montreal, QC, Canada. Encore has no domestic employees and is owned by [REDACTED].

In August 2017, Petitioners responded to initial civil investigative demands ("the Initial CIDs") seeking document production and written interrogatory answers. Petitioners, through the undersigned counsel, timely responded to the Initial CIDs. On December 22, 2017, the Commission issued the two current CIDs by Federal Express to Petitioners' counsel. The CIDs seek oral testimony in Fort Lauderdale, Florida in February, including personal information about [REDACTED] and [REDACTED]. See Exs. A&B at 3.

B.

[REDACTED]
[REDACTED]





C. THE CIDs SEEK INFORMATION THAT THE GOVERNMENT INTENDS TO SHARE WITH THE OVERLAPPING CRIMINAL INVESTIGATIONS

It is clear that any response to the CIDs may and most likely will be used to advance the criminal investigations. The very first page of each CID warns that the Commission “may disclose the information in response to [...] civil or criminal federal, state, local, or foreign law enforcement agencies for their official law enforcement purposes” as well as “in any federal, state, or foreign civil criminal proceeding[.]” Exs. A & B at 1.

The CIDs define “Company” to include Petitioners’ individual owners and officers in their individual capacities. *See* Exs. A & B at § D-2 (“‘Company,’ ‘You’ or ‘Your’” includes “all directors, officers, members, employees, agents, consultants, and other persons working for or on behalf of the foregoing”). As set forth below, by seeking testimony about company owners and sharing such information that advances the criminal investigations, the Government is violating, at a minimum, the individuals’ Fifth Amendment rights.

D. CONTRADICTING THEIR OWN “SUBJECTS OF INVESTIGATION,” THE OVERBROAD CIDs SEEK INFORMATION ABOUT INDIVIDUAL TARGETS

Many of the topics identified in the CIDs bear no relation whatsoever to the scope of the investigation, and instead are designed to glean information for the purpose of gathering information that will assist in pressing criminal charges against the individual owners. According to the respective CIDs, the ostensible Subjects of Investigation are self-limited as follows:

Whether Nordic Clinical, Inc., as defined herein, has made false or unsubstantiated representations about the health-related benefits of Neurocet or other products, in violation of Section 5 and 12 of the FTC Act, 15 U.S.C. §§ 45 and 52, and whether Commission action to obtain monetary relief for injury to consumers or others would be in public interest. *See* also attached resolution. [*See* Exhibit A].

Whether Encore Plus Solutions, Inc., as defined herein, has made false or unsubstantiated representations about the health-related benefits of ReGenify, Resetigen-D or other products, in violation of Section 5 and 12 of the FTC Act, 15 U.S.C. §§ 45 and 52, and whether Commission action to obtain monetary relief for

injury to consumers or others would be in public interest. See also attached resolution. [See Exhibit B].

However, both CIDs then demand information pertaining solely to the individual owners and bearing no relation to any allegedly misrepresented health benefits. *E.g.*:

6. Without regard to time-period, [REDACTED] background, education, training and experience.
7. Without regard to time-period, [REDACTED] background, education, training, and experience.
8. Without regard to time-period, [REDACTED] role in the Company, including his ownership interest in, or duties in connection with, any parent entities, subsidiaries, or affiliated entities.
9. Without regard to time-period, [REDACTED] background, education, training and experience.

See Exs. A & B.

Personal information concerning [REDACTED] and [REDACTED] is not relevant in any way to the alleged misrepresentations concerning the health benefits of nutritional supplements. Rather, these topics are calculated to advance the criminal investigation. Other topics are similarly directed at persons and entities having nothing to do with the Subjects Of Investigation. The inclusion of these questions, as well as the FTC definition of “Company” demonstrate that the Government is impermissibly using the CIDs to advance criminal investigations.

E. MEET-AND-CONFERENCE EFFORTS

Counsel for the Commission and Petitioners held a meet-and-confer telephone conference on January 5, 2018. During this conference, the attorneys discussed all of the issues raised herein. Petitioners’ counsel sought to accommodate the FTC yet protect the very real Fifth Amendment concerns by offering two alternate proposals to the FTC: (a) Petitioners would enter into a tolling agreement so that that FTC would not be prejudiced by the passage of time while the civil investigation was stayed pending the outcome of the criminal investigation(s); or (b) the FTC could

propound written interrogatories in lieu of depositions. Petitioners agreed to answer such written interrogatories subject to the understanding that they could assert the Fifth Amendment where appropriate in response to individual questions. No waiver of any rights against self-incrimination would be inferred from any response. Petitioners even offered to enter into a limited tolling agreement similar to the one the Parties agreed to in July of last year. Petitioners' counsel's letter memorializing this offer is attached as Exhibit H. The FTC declined both offers.

III. ARGUMENT

In order to ensure that the Fifth Amendment rights belonging to Petitioners' officers, owners and employees are neither taken, waived nor unduly penalized, Petitioners file this Petition to stay the Commission's civil investigation pending the resolution of all related criminal investigations. At a bare minimum, the CIDs must be quashed to protect these important rights.

A. THE FIFTH AMENDMENT PRIVILEGE IS IMPLICATED BY THE CIDs

There are multiple criminal investigations that are being conducted and seemingly coordinated among various Government agencies. The two civil CIDs represent an effort to improperly advance the criminal investigations.

The act of compelling deposition testimony implicates Fifth Amendment rights against self-incrimination, which covers the compelled production of information that would incriminate the person producing it. *See, e.g., Fisher v. United States*, 425 U.S. 391, 397 (1976). Besides actual testimony, and the United States Supreme Court has held that a Government subpoena cannot compel a holder of information to perform acts that may have testimonial aspects. *See United States v. Doe*, 465 U.S. 605, 612 (1984).

In *United States v. Hubbell*, 530 U.S. 27 (2000), for example, the Supreme Court found that by authenticating or otherwise testifying about documents produced in response to a subpoena,

a witness would be admitting that the documents existed, were in his possession or control, and were authentic. *Id.* at 36. *Hubbell* therefore dismissed the indictment and held that the Fifth Amendment protects the person who would otherwise be compelled to identify information. *Id.* at 41-42. Of course, the Fifth Amendment is also implicated when a witness is “compelled to take the witness stand and answer questions designed to determine whether he has produced everything demanded by the subpoena.” *Id.* at 37.

Thus, the Fifth Amendment applies both to testimony and the acts of production and authentication. Both are Constitutionally privileged and cannot be compelled without a statutory grant of use immunity pursuant to 18 U.S.C. §§ 6002 and 6003. *Doe, supra*, at 617.

Under this standard, the CIDs are improper because, in the midst of ongoing criminal investigations, the Government seeks to compel testimony about Petitioner’s owners and executives¹, as well as the authentication of information and documents. The situation is exacerbated by the Government’s definition of “Company” to include “directors, officers, members, employees, agents, consultants, and other persons working for or on behalf of the foregoing.” Exhibits A&B.

Because compelling individuals to testify about themselves or to authenticate documents breaches the Fifth Amendment right against self-incrimination, the FTC’s investigation should be stayed and the CIDs quashed until the risk of self-incrimination has ended.

¹ It is irrelevant that the Petitioners’ owners and employees are Canadian citizens. The Fifth Amendment protects “any person” from being forced to give incriminating testimony, and the term “person” includes foreign nationals, even those questioned outside the United States. *In re Terrorist Bombings of U.S. Embassies in East Africa*, 552 F.3d 177, 201 (2d Cir. 2008). Also, Canadian law, namely section 13 of the Canadian Charter of Rights and Freedoms, gives Petitioners’ owners, officers and employees a right to avoid self-incrimination “in any proceedings.”

**B. THE FIFTH AMENDMENT PROBLEMS CANNOT BE AVOIDED
BY DIRECTING THE CIDs TO CORPORATIONS**

Under recent sea changes in the law, corporations can now assert Constitutional rights in their own capacities, and not merely on behalf of their officers, owners, employees and agents, objections based on the danger of self-incrimination. Cases holding that the Fifth Amendment does not apply to corporate entities are of doubtful validity in light of *Citizens United v. FEC*, 558 U.S. 310 (2010) and *Burwell v. Hobby Lobby Stores, Inc.*, 134 S. Ct. 2751 (2014). In *Citizens United*, the United States Supreme Court rejected the premise that a corporate entity lacked First Amendment rights. *Hobby Lobby* recognized that a closely-held corporation enjoys Constitutional religious liberties. These cases require a reexamination of the outdated rationales used to deny a corporation's right against self-incrimination.

Although strongly bolstered by these recent precedents, corporate Fifth Amendment rights are not a revolutionary argument, and corporations have been excused from discovery under the Fifth Amendment even prior to *Citizens United*. Where no individual can respond on behalf of the corporation without risking self-incrimination, the appropriate remedy is a protective order postponing civil discovery for the corporation. See *State Farm Mut. Auto. Ins. Co. v. Grafman*, No. 04-CV-2609, 2007 WL 4285378, at *3-4 (E.D.N.Y. Dec. 1, 2007) (granting stay to corporations); *Trustees of Plumbers & Pipefitters Nat'l Pension Fund v. Transworld Mechanical, Inc.*, 886 F.Supp. 1134, 1141 (S.D.N.Y. 1995) (granting corporate defendants' motion to stay the civil case until the criminal case against an individual defendant was resolved).

This principle goes beyond single-person entities and applies to closely-held corporations. In *State Farm v. Grafman*, the court excused a corporation controlled by two individuals from responding to interrogatories or producing Rule 30(b)(6) witnesses for deposition when the corporation represented that no one had sufficient knowledge of the corporation's activities other

than the at-risk officers. 2007 WL 4285378 at *3. *See also Volmar Distrib., Inc. v. The New York Post Co., Inc.*, 152 F.R.D. 36, 41 (S.D.N.Y. 1993) (granting complete stay, applicable even to the corporations, where individuals asserting their Fifth Amendment rights were the “central figures” [plural] in the case).

C. THE APPROPRIATE REMEDY IS A STAY OF ALL CIVIL PROCEEDINGS

In order to assure that Fifth Amendment rights are not compromised, a stay of the FTC’s activities is required here. The primary (but not only) reason necessitating a stay is that the Government is prosecuting both the civil and criminal proceedings involving the same subject matter.

1. The Differing Scopes of Civil and Criminal Discovery

The scope of civil discovery is broad and requires nearly total mutual disclosure of each party’s evidence prior to trial. *Hickman v. Taylor*, 329 U.S. 495, 507 (1947). The Rules of Civil Procedure broadly authorize discovery of “any matter, not privileged, which is relevant to the subject matter involved in the pending action[.]” Fed. R. Civ. P. 26. The information sought during civil discovery need only be reasonably calculated to lead to discovery of admissible evidence. In civil actions, depositions of all parties to the action and any other person with relevant testimony are permitted. *Id.*

In contrast, criminal discovery is highly restricted. For example, Fed. R. Crim. P. 15(a) controls the deposition process and permits a party to an action to depose only its own witnesses and then only pursuant to a court order in “exceptional circumstances.” Discovery in criminal cases is sharply limited to only what is described as discoverable with specificity and detail. *See* Fed. R. Crim. P. 16.

In light of these differences, a party should not be forced to choose between invoking the Fifth Amendment in a civil case, thus risking a loss there, or answering the questions in the civil

context, thus risking subsequent criminal prosecution. *See Baxter v. Palmigiano*, 425 U.S. 308, 318-19 (1976).

2. Greater Precautions Are Needed When The Government Is Also A Civil Party

The FTC, as well as federal courts, possesses full discretion to stay civil proceedings, postpone civil discovery and/or impose protective conditions when the interests of justice seem to require such actions. *Matter of Dynamic Health of Florida*, Docket No. 9317, 2004 WL 1814180 (FTC Aug. 2, 2004) (granting stay and citing *United States v. Kordel*, 397 U.S. 1, 12 n.27 (1970)).

Here, the Government's dual role in the civil and criminal investigations is particularly dangerous because it controls both proceedings and is in a position to use the civil proceedings to advance the criminal investigation. *See, e.g., SEC v. Graystone Nash, Inc.*, 25 F.3d 187, 193-94 (3d Cir. 1994) ("courts must bear in mind that when the government is a party in a civil case and also controls the decision as to whether criminal proceedings will be initiated, special consideration must be given to the plight of the party asserting the Fifth Amendment"); *Sterling National Bank v. A-I Hotels Int's Inc.*, 175 F.Supp.2d 573, 579 (S.D.N.Y. 2001) ("there is a special danger that the government can effectively undermine rights that would exist in a criminal investigation using normally civil means"); *Brock v. Tolkow*, 109 F.R.D. 116, 119 (E.D.N.Y. 1985) (granting pre-indictment stay and because both actions "involve the same subject matter ... and [a stay] is even more appropriate when both actions are brought by the government").

Here, allowing the civil matter to go forward while the criminal investigation is ongoing creates the risk that the Government will use discovery from the civil case to build a criminal case against the Petitioners or their owners and officers. *See, e.g., United States v. Stringer*, 535 F.3d 929 (9th Cir. 2008) (SEC permitted to share information with U.S. Attorney where defendant never invoked its Fifth Amendment rights).

3. There Is Complete Overlap Between This Action and The Criminal Investigation

The present facts present a strong case for a stay because the criminal and civil proceedings concern identical conduct, facts and circumstances, namely the marketing of nutritional supplements. *See Brock, supra*, 109 F.R.D. at 119 (granting pre-indictment stay and noting a stay is appropriate “where the civil and criminal actions involve the same matter”); *Chao v. Fleming*, 498 F. Supp.2d 1034, 1039 (W.D. Mich. 2007) (“a stay should issue. The considerations weighing most heavily in the Court's analysis are the almost complete identity of ERISA-related issues in both cases and the fact that the government is the interested party in both cases”); *SEC v. Healthsouth Corp.*, 261 F.Supp.2d 1298, 1326-27 (N.D. Ala. 2003) (granting pre-indictment stay of civil matter because the criminal and civil cases “overlap completely. The issues in both are identical”).

Given the identity of the subject matters of the criminal investigation and civil proceedings, which both rest upon the marketing of nutritional supplements, it would be impossible to respond to civil deposition questions or answer a complaint without implicating criminal defense strategies or risking self-incrimination. This is an extensive implication of Fifth Amendment concerns, and therefore strongly supports a stay.

4. Courts Routinely Issue Pre-Indictment Civil Stays

Due process here dictates that the Petitioners should not be placed in a “Hobson’s Choice” of waiving their Constitutional rights or prejudicing their ability to defend themselves in civil proceedings. If the individuals invoke their Fifth Amendment privilege, Petitioners will have little to offer in their defense and will be irreparably prejudiced in their ability to defend this case.

A stay of civil litigation is appropriate even though no criminal indictment has been issued. In fact, there are large numbers of cases in which courts stay civil proceedings prior to an

indictment if there is an open criminal investigation. Following is a non-exhaustive list of many such decisions standing for this proposition:

- *Wehling v. Columbia Broad. Sys.*, 608 F.2d 1084, 1089 (5th Cir. 1979) (trial court abused its discretion in denying plaintiff's motion for a protective order seeking a stay of civil proceedings);
- *Kashi v. Gratsos*, 790 F.2d 1050, 1057 (2d Cir. 1986) (pre-indictment stay of civil action was appropriate pending U.S. Attorney's declination to prosecute);
- *United States v. \$557,933.89, More or Less in U.S. Funds*, No. 95-CV-3978 (JG), 1998 WL 817651, at *4 (E.D.N.Y. Mar. 2, 1998) (“I find that the information the government seeks to extract presents a realistic threat of incrimination”);
- *United States v. Certain Real Property and Premises*, 751 F.Supp. 1060, 1063 (E.D.N.Y. 1989) (stay warranted even where claimant was not indicted because the Fifth Amendment privilege operates where the information sought presents “a realistic threat of incrimination” as distinguished from a “mere imaginary possibility”);
- *Brock v. Tolkow*, 109 F.R.D. at 121 (staying discovery in civil case pending the outcome of criminal investigation where civil and criminal actions involved the same subject matter);
- *Chao v. Fleming*, 498 F.Supp.2d at 1040 (granting the stay in part because “an indictment appears to be much more than some fanciful and far-off possibility”);
- *SEC v. Mutuals.com, Inc.*, No. 03-CV-2912-D, 2004 WL 1629929, at *3 (N.D. Tex. July 20, 2004) (staying issued where no indictment existed but preliminary hearing was scheduled);
- *SEC v. Healthsouth Corp.*, 261 F.Supp.2d at 1326 (granting pre-indictment stay where the harm to defendant “from blindly pushing ahead with this matter [would] greatly outweigh the prejudice to the SEC from a stay of this civil proceeding”);
- *Baranski v. Fifteen Unknown Agents of ATF*, 195 F.Supp.2d 862, 870 (W.D. Ky. 2002) (“equally salient concerns” are implicated even if plaintiff has not been indicted but is under active criminal investigation); and
- *Walsh Secs., Inc. v. Cristo Prop. Mgmt., Ltd.*, 7 F.Supp.2d 523, 527-28 (D.N.J. 1998) (noting several ways in which proceeding with discovery in

the civil case would cause defendants to assert Fifth Amendment privileges, even though those defendants had not yet been indicted);

- *SEC v. Schroeder*, No. C07-03798, 2008 WL 152227, at *2 (N.D. Cal. 2008) (granting defendant's motion to delay defendant's deposition because he had made a showing “as to the possibility of criminal indictments” and had entered into a tolling agreement with the Justice Department);
- *SEC v. Power Securities Corp.*, 142 F.R.D. 321, 323 (D.Col. 1992) (granting defendant's request to postpone his deposition until after the time when the grand jury reached a decision as to indictments).

Regardless of whether an indictment has been returned, requiring a party to proceed with civil discovery when there is an overlapping criminal investigation threatens to “undermine [the defendant’s] Fifth Amendment privilege against self-incrimination, expand rights of criminal discovery beyond the limits of Federal Rule of Criminal Procedure 16(b), expose the basis of the defense to the prosecution in advance of criminal trial, or otherwise prejudice the case.” *U.S. v. \$557,933.89, supra*, at *4.

Here, the Government is actively and admittedly conducting multiple overlapping criminal investigations. Thus, the risk of self-incrimination that the deponents face if required to testify at the Florida hearing is both real and dangerous, and a stay is equally as appropriate as if an indictment has already been issued.

5. The Stay Applies To Corporations As Well As Individuals

Petitioners, although they are corporations, are covered by the principles set forth above because they cannot adequately mount a defense in light of the Fifth Amendment privileges belonging to the individual targets, their owners and officers.

Corporations can only testify through their officers or employees, and those persons’ decision about whether to assert their Fifth Amendment. One court has described the difficult decision that corporate representatives face:

[C]orporations speak only through their officers and other upper-level managers. Among the senior management of the corporations defending these civil cases are persons who, together with their corporate employers, face criminal charges, and so it may be anticipated that some of these persons will have Fifth Amendment rights to be reckoned with. The dilemma for such persons is severe because they face serious penalties in the event of a criminal conviction, and because they are not themselves parties to this civil action.

Golden Quality Ice Cream Co. v. Deerfield Specialty Papers, Inc., 87 F.R.D. 53, 58 (E.D. Pa. 1980).

Putting aside the issue of corporations' newly expanded Fifth Amendment rights (*see* Section B, *supra*), courts routinely stay civil matters involving corporate defendants when their ability to defend themselves are threatened by unavailability of witnesses to provide key defensive testimony. *See, e.g., American Express Bus. Fin. Corp. v. R.W. Prof'l Leasing Servs. Corp.*, 225 F.Supp.2d 263, 265-66 (E.D.N.Y. 2002) (discovery stayed against officers and company); *Bruner Corp v. Balogh*, 819 F.Supp. 811 (E.D. Wis. 1993) (civil proceedings stayed as to corporate defendant as well as the individual, because "it is not likely" that corporation "could proceed to trial without meaningful discovery" from the individual defendants), *rev'd in part on other grounds*, 133 F. 3d 491 (7th Cir. 1998).

American Express involved parallel civil proceedings against individual and entity defendants. The district court stayed civil discovery as to the corporate defendant as well as the individuals, reasoning that the corporate defendant would be unable mount a defense without the availability of the individual defendants, each of whom were executive officers of the defendant corporation. *Id.* at 265-266.

It is settled authority that Fifth Amendment concerns are "more important" than any countervailing effects that might be experienced by the Government. *See SEC v. Healthsouth, supra*, at 1327 (granting stay where "the court finds the harm to defendant Scrusby from blindly

pushing ahead with this matter to greatly outweigh the prejudice to the SEC from a stay of this civil proceeding”); *Parker v. Dawson*, No. 06-CV-6191, 2007 WL 2462677, at *1, 5-6 (E.D.N.Y. Aug. 27, 2007) (no indictment but “the interests of justice require a stay of discovery in the civil actions pending resolution of the criminal action”); *Volmar, supra*, 152 F.R.D. at 40 (“this stay will result in inconvenience and delay to plaintiffs. But under settled authority the Fifth Amendment is the more important consideration”); *Walsh.*, 7 F.Supp.2d at 528 (staying depositions and other discovery because a court has discretion to grant a in the interests of justice); *Brock v. Tolkow*, 109 F.R.D. at 121 (“all discovery in this action is hereby stayed pending the outcome of the current investigation of the Organized Crime and Racketeering Section”).

D. JURISDICTION, SERVICE OF PROCESS AND OTHER ISSUES

All objections with respect to personal jurisdiction, service of process, venue, forum nonconveniens, deposition location, etc., are hereby reserved and asserted as additional reasons to quash the CIDs. The Petitioners have no executives, officers or agents located in the United States.

First of all, foreigners who are not in the United States are beyond the subpoena power of our courts. *See* 28 U.S.C.A. § 1783(a). If a foreign witness refuses to appear voluntarily, the U.S. litigant's recourse is to serve process “in accordance with the provisions of the Federal Rules of Civil Procedure relating to service of process on a person in a foreign country.” *See* 28 U.S.C.A. § 1783(b).

Service via Federal Express is insufficient, and the Government is therefore unable to compel the attendance of individuals who are neither U.S. citizens, U.S. residents nor located in this country. *See Triumph Aerostructures, LLC v. Comau, Inc.*, No. 14-CV-2329, 2015 WL 5502625, at *3 (N.D. Tex. Sept. 18, 2015) (domestic subpoena insufficient; granting in part and denying in part motion for issuance of a letter of request for discovery from Canadian non-party).

Even if proper service is made and personal jurisdiction over the individuals is established, that will not be sufficient to compel a Canadian individual to appear in Florida for a deposition. The usual rule in federal litigation is that a party seeking discovery must go where the witnesses are located. *Yaskawa Elec. Corp. v. Kollmorgen Corp.*, 201 F.R.D. 443, 444 (N.D. Ill. 2001). Moreover, “if a corporation objects to depositions at a location other than its principal place of business, the objection should be sustained unless there are unusual circumstances which justify such an inconvenience to the corporation.” *Zuckert v. Berkliff Corp.*, 96 F.R.D. 161, 162 (N.D. Ill. 1982). Petitioners so object.

Courts routinely require that depositions of corporate employees take place in their home countries. *See, e.g., Yaskawa*, 201 F.R.D. at 444-45 (rejecting attempt to require plaintiff's current and former employees to travel from Japan to Chicago); *Motion Games, LLC v. Nintendo Co., Ltd.*, No. 12-cv-878, 2014 WL 5306961 (E.D. Tex. 2014) (Nintendo employees should be deposed in Japan); *Boss Mfg. Co. v. Hugo Boss AG*, No. 97 CIV 8495, 1999 WL 20828, at *2 (S.D.N.Y. Jan. 13, 1999) (deposition of defendant's CFO must occur in Germany).

CONCLUSION

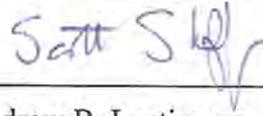
For all of the foregoing reasons, the FTC's civil investigation should be stayed and the CIDs pending the resolution of the related criminal investigation(s).

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Dated: New York, New York
January 10, 2018

OLSHAN FROME WOLOSKY LLP

By: _____



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*Attorneys for Petitioners Nordic Clinical,
Inc. and Encore Plus Solutions, Inc.*

CERTIFICATION

Pursuant to 16 C.F.R. §§ 2.7(k) and 2.10(a)(2), counsel for Petitioners hereby certifies that on January 5, 2018, the undersigned met and conferred with Federal Trade Commission counsel by telephone in a good-faith attempt to resolve the issues set forth in this Petition, but the attorneys were unable to reach agreement.

Dated: January 10, 2018

ABL PR SCS
/s/ Andrew B. Lustigman

Andrew B. Lustigman

*Attorneys for Petitioners Nordic Clinical, Inc.
and Encore Plus Solutions, Inc.*

CERTIFICATE OF SERVICE

I hereby certify that on January 10, 2018, on behalf of Petitioners Nordic Clinical, Inc. and Encore Plus Solutions, Inc., I caused the original and twelve copies of the foregoing Petition, with attached exhibits, to be filed with the Secretary of the Federal Trade Commission by overnight courier delivery to 600 Pennsylvania Avenue, NW, Washington, DC 20580.

I further certify that I caused an additional copy to be served by overnight courier delivery to the following Federal Trade Commission Counsel named in section 8 of the Civil Investigative Demands:

Edward Glennon and Mamie Kresses, Federal Trade Commission, 600 Pennsylvania Ave., NW, Mailstop CC-10532, Washington, DC 20580.



Anna Bivona

EXHIBIT A



Office of the Secretary

United States of America
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

DEC 20 2017

Via Federal Express

Andrew Lustigman, Esq.
Olshan Frome Wolosky LLP
1325 Avenue of the Americas
New York, NY 10019

Re: FTC Matter No. 1723143

Dear Mr. Lustigman:

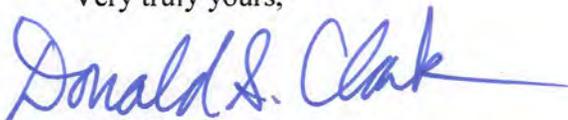
The Federal Trade Commission (“FTC” or “Commission”) has issued the attached Civil Investigative Demand (“CID”) asking for your client’s oral testimony as part of a non-public investigation. Our purpose is to determine whether Nordic Clinical, Inc., as defined herein, has made false or unsubstantiated representations about the health-related benefits of Neurocet or other products, in violation of Sections 5 and 12 of the FTC Act, 15 U.S.C. §§ 45 and 52, and whether Commission action to obtain monetary relief for injury to consumers or others would be in the public interest. Please read the attached documents carefully. Here are a few important points we would like to highlight:

1. **Contact FTC counsel, Mamie Kresses, at (202) 326-2070 or mkresses@ftc.gov, or Edward Glennon, at (202) 326-3126 or eglennon@ftc.gov, as soon as possible to schedule an initial meeting to be held within 14 days.** You can meet in person or by phone to discuss any questions you have, including whether there are changes to how you comply with the CID that would reduce your cost or burden while still giving the FTC the information it needs. Please read the attached documents for more information about that meeting.
2. **You must immediately stop any routine procedures for electronic or paper document destruction, and you must preserve all paper or electronic documents that are in any way relevant to this investigation, even if you believe the documents are protected from discovery by privilege or some other reason.**
3. **The FTC will use the testimony and information you provide in response to the CID for the purpose of investigating violations of the laws the FTC enforces.** We will not disclose the information under the Freedom of Information Act, 5 U.S.C. § 552. We may disclose the information in response to a valid request from Congress, or other civil or criminal federal, state, local, or foreign law enforcement agencies for their official law enforcement purposes. The FTC or other agencies may use and disclose your response in any federal, state, or foreign civil or criminal proceeding, or if required to do so by law. However, we will not publicly disclose your information without giving you prior notice.

4. **Please read the attached documents closely.** They contain important information about when and where the company's designee(s) must appear.

Please contact FTC counsel as soon as possible to set up an initial meeting. We appreciate your cooperation.

Very truly yours,

A handwritten signature in blue ink that reads "Donald S. Clark". The signature is fluid and cursive, with a long horizontal line extending to the right from the end of the name.

Donald S. Clark
Secretary of the Commission



CIVIL INVESTIGATIVE DEMAND
Oral Testimony

1. TO Nordic Clinical, Inc. c/o Andrew Lustigman, Esq. Olshan Frome Wolosky LLP 1325 Avenue of the Americas New York, NY 10019	2. FROM UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION 2a. MATTER NUMBER 1723143
---	--

This demand is issued pursuant to Section 20 of the Federal Trade Commission Act, 15 U.S.C. § 57b-1, in the course of an investigation to determine whether there is, has been, or may be a violation of any laws administered by the Federal Trade Commission by conduct, activities or proposed action as described in Item 6.

3. LOCATION OF HEARING Office of the U.S. Attorney 500 East Broward Boulevard Ft. Lauderdale, FL 33394	4. YOUR APPEARANCE WILL BE BEFORE Edward Glennon, Mamie Kresses, or other duly designated person 5. DATE AND TIME OF HEARING February 7, 2018; 9:00 AM
---	---

6. SUBJECT OF INVESTIGATION

See attached Schedule and attached resolution.

7. RECORDS CUSTODIAN/DEPUTY CUSTODIAN Lynne Colbert/Edward Glennon Federal Trade Commission 600 Pennsylvania Avenue, NW, Mailstop CC-10532 Washington, DC 20580	8. COMMISSION COUNSEL Edward Glennon and Mamie Kresses Federal Trade Commission 600 Pennsylvania Avenue, NW, Mailstop CC-10532 Washington, DC 20580
---	---

DATE ISSUED 12/19/17	COMMISSIONER'S SIGNATURE 
-----------------------------	--

INSTRUCTIONS AND NOTICES

The delivery of this demand to you by any method prescribed by the Commission's Rules of Practice is legal service and may subject you to a penalty imposed by law for failure to comply. This demand does not require approval by OMB under the Paperwork Reduction Act of 1980.

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YOUR RIGHTS TO REGULATORY ENFORCEMENT FAIRNESS

The FTC has a longstanding commitment to a fair regulatory enforcement environment. If you are a small business (under Small Business Administration standards), you have a right to contact the Small Business Administration's National Ombudsman at 1-888-REGFAIR (1-888-734-3247) or www.sba.gov/ombudsman regarding the fairness of the compliance and enforcement activities of the agency. You should understand, however, that the National Ombudsman cannot change, stop, or delay a federal agency enforcement action.

The FTC strictly forbids retaliatory acts by its employees, and you will not be penalized for expressing a concern about these activities.

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Form of Certificate of Compliance*

I/We do certify that all of the information required by the attached Civil Investigative Demand which is in the possession, custody, control, or knowledge of the person to whom the demand is directed has been submitted to a custodian named herein.

If an interrogatory or a portion of the request has not been fully answered or portion of the report has not been completed the objection to such interrogatory or uncompleted portion and the reasons for the objection have been stated.

Signature _____

Title _____

Sworn to before me this day

Notary Public

*In the event that more than one person is responsible for answering the interrogatories or preparing the report, the certificate shall identify the interrogatories or portion of the report for which each certifying individual was responsible. In place of a sworn statement, the above certificate of compliance may be supported by an unsworn declaration as provided for by 28 U.S.C. § 1746.

**CIVIL INVESTIGATIVE DEMAND
TO NORDIC CLINICAL, INC.
SCHEDULE FOR ORAL TESTIMONY
FTC File No. 1723143**

Meet and Confer: You must contact **FTC counsel, Mamie Kresses, at mkresses@ftc.gov or (202) 326-2070**, or Edward Glennon, at eglennon@ftc.gov or (202)326-3126, as soon as possible to schedule a meeting (telephonic or in person) to be held within fourteen (14) days after you receive this CID. At the meeting, you must discuss with FTC counsel any questions you have regarding this CID or any possible CID modifications that could reduce your cost, burden, or response time yet still provide the FTC with the information it needs to pursue its investigation.

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Sharing of Information: The FTC will use information you provide in response to the CID for purposes of investigating violations of the laws the FTC enforces. We will not disclose such information under the Freedom of Information Act, 5 U.S.C. § 552. We also will not disclose such information, except as allowed under the FTC Act (15 U.S.C. § 57b-2), the Commission's Rules of Practice (16 C.F.R. §§ 4.10 & 4.11), or if required by a legal obligation. Under the FTC Act, we may provide your information in response to a request from Congress or a proper request from another law enforcement agency. However, we will not publicly disclose such information without giving you prior notice.

Definitions and Instructions: Please review carefully the Definitions and Instructions that appear after the Specifications and provide important information regarding compliance with this CID.

SUBJECT OF INVESTIGATION

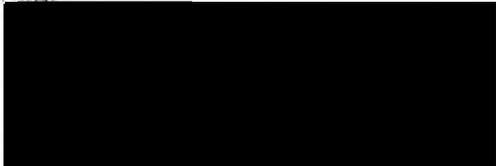
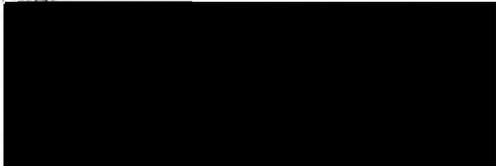
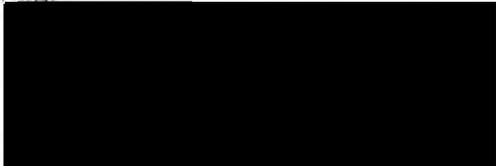
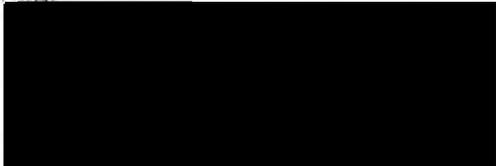
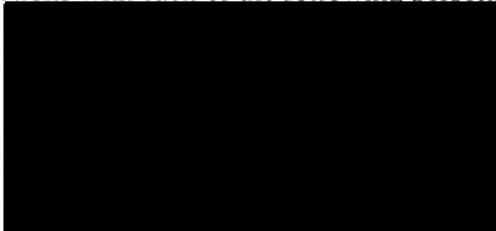
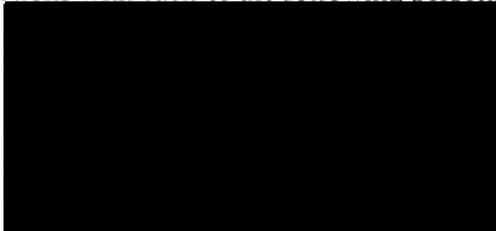
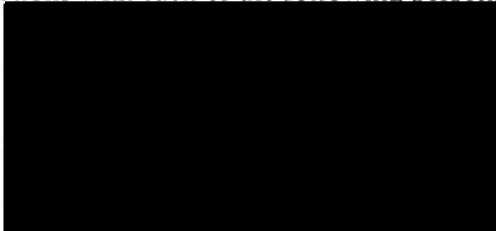
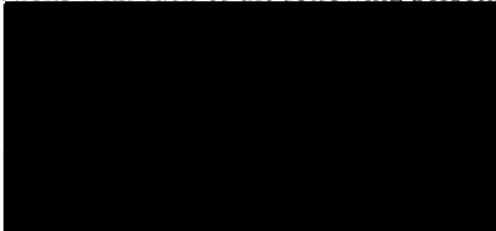
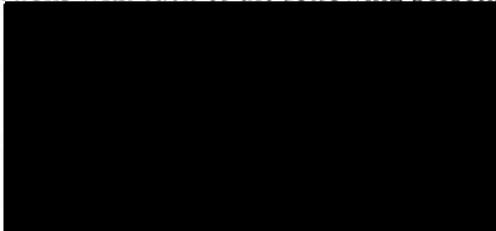
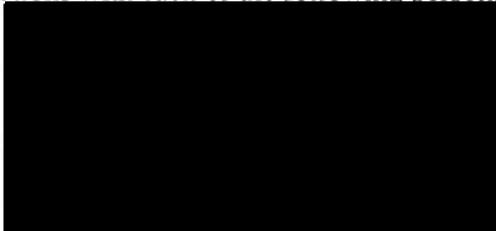
Whether Nordic Clinical, Inc., as defined herein, has made false or unsubstantiated representations about the health-related benefits of Neurocet or other products, in violation of Sections 5 and 12 of the FTC Act, 15 U.S.C. §§ 45 and 52, and whether Commission action to obtain monetary relief for injury to consumers or others would be in the public interest. See also attached resolution.

SPECIFICATIONS

Applicable time-period: Unless otherwise directed in the specifications, the applicable time - period for the request shall be from **January 1, 2015 until the date of full and complete compliance with this CID.**

A. Investigational Hearing Testimony: The Company must designate and make available one or more officers, directors, or managing agents, or others who consent, to testify on its behalf. Unless a single individual is designated, the Company must designate in advance and in writing the matters on which each designee will testify. The person(s) designated must testify about information known or reasonably available to the Company, and their testimony shall be binding upon it. 16 C.F.R. §2.7(h). The persons designated must be prepared to provide testimony relating to the following topics:

1. Responses by the Company to the Federal Trade Commission's Civil Investigative Demand issued on June 15, 2017, and modified in part by Associate Director Mary K. Engle by letter dated August 24, 2017.
2. The content, subject, history, and context of documents produced by the Company in response to the Federal Trade Commission's Civil Investigative Demand issued on June 15, 2017, and modified in part by Associate Director Mary K. Engle by letter dated August 24, 2017.
3. Without regard to time period, the history, structure, organization, and business of the Company, including the duties and responsibilities of its officers, directors, managers, employees, agents, and contractors.
4. The Company's sales, revenues, cash flow, compensation of officers, shareholders, and employees, and allocations of equity or debt between any related entities.
5. The Company's advertising costs, costs of goods sold, debts, or loans granted or received.
6. Without regard to time-period, [REDACTED] role in the Company, including his ownership interest in, or duties in connection with, any parent entities, subsidiaries, or affiliated entities.
7. Without regard to time-period, [REDACTED] background, education, training, and experience.
8. Without regard to time-period, [REDACTED] role in the Company, including his ownership interest in, or duties in connection with, any parent entities, subsidiaries, or affiliated entities.
9. Without regard to time-period, [REDACTED] background, education, training, and experience.
10. Without regard to time-period, the formulation and development of Neurocet or any substantially similar product, and the persons, entities, and timelines involved.
11. Without regard to time-period, the manufacturing and labeling of Neurocet or any substantially similar product, and the persons, entities, and timelines involved.

12. Without regard to time-period, research, testing, and substantiation relating to Neurocet or any substantially similar products, constituent ingredients, or product claims, and the persons, entities, and timelines involved.
13. Without regard to time-period, advertising or marketing of Neurocet or any substantially similar product, including development of product claims, and the persons, entities, and timelines involved.
14. Complaints from any source regarding Neurocet or any substantially similar product.
15. Company policies and practices regarding complaints, testimonials, endorsements, refunds, chargebacks, and returns.
16. Without regard to time-period, the relationship between the Company and each of the following:
 - a. 
 - b. 
 - c. 
 - d. 
17. Without regard to time period, the Company's involvement, communications, or interactions with each of the following persons or companies:
 - a. 
 - b. 
 - c. 
 - d. 
 - e. 
 - f. 
18. Company policy and practice regarding retention of documents or records.

DEFINITIONS

The following definitions apply to this CID:

D-1. “**Advertisement**” or “**Advertising**” or “**Ad**” means any written or verbal statement, illustration, or depiction that promotes the sale or use of a good or service or is designed to increase consumer interest in a brand, good, or service. Advertising media includes, but is not limited to: packaging and labeling; promotional materials; print; television; radio; and Internet, social media, and other digital content.

D-2. “**Company**,” “**You**,” or “**Your**” means **Nordic Clinical, Inc.**, its wholly or partially owned subsidiaries, unincorporated divisions, joint ventures, operations under assumed names, and affiliates, and all directors, officers, members, employees, agents, consultants, and other persons working for or on behalf of the foregoing.

D-3. “**Document**” means the complete original, all drafts, and any non-identical copy, whether different from the original because of notations on the copy, different metadata, or otherwise, of any item covered by 15 U.S.C. § 57b-1(a)(5), 16 C.F.R. § 2.7(a)(2), or Federal Rule of Civil Procedure 34(a)(1)(A).

INSTRUCTIONS

I-1. **Petitions to Limit or Quash:** You must file any petition to limit or quash this CID with the Secretary of the FTC no later than twenty (20) days after service of the CID, or, if the return date is less than twenty (20) days after service, prior to the return date. Such petition must set forth all assertions of protected status or other factual and legal objections to the CID and comply with the requirements set forth in 16 C.F.R. § 2.10(a)(1) – (2). **The FTC will not consider petitions to quash or limit if you have not previously met and conferred with FTC staff and, absent extraordinary circumstances, will consider only issues raised during the meet and confer process.** 16 C.F.R. § 2.7(k); *see also* § 2.11(b). **If you file a petition to limit or quash, you must still timely respond to all requests that you do not seek to modify or set aside in your petition.** 15 U.S.C. § 57b-1(f); 16 C.F.R. § 2.10(b).

I-2. **Modification of Specifications:** The Bureau Director, a Deputy Bureau Director, Associate Director, Regional Director, or Assistant Regional Director must agree in writing to any modifications of this CID. 16 C.F.R. § 2.7(l).

I-3. **Oral Testimony Procedures:** The taking of oral testimony pursuant to this CID will be conducted in conformity with Section 20 of the Federal Trade Commission Act, 15 U.S.C. § 57b-1, and with Part 2A of the FTC’s Rules, 16 C.F.R. §§2.7(f), 2.7(h), and 2.9.

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

COMMISSIONERS: Jon Leibowitz, Chairman
Pamela Jones Harbour
William E. Kovacic
J. Thomas Rosch

RESOLUTION DIRECTING USE OF COMPULSORY PROCESS IN A NONPUBLIC INVESTIGATION OF UNNAMED PERSONS ENGAGED DIRECTLY OR INDIRECTLY IN THE ADVERTISING OR MARKETING OF DIETARY SUPPLEMENTS, FOODS, DRUGS, DEVICES, OR ANY OTHER PRODUCT OR SERVICE INTENDED TO PROVIDE A HEALTH BENEFIT OR TO AFFECT THE STRUCTURE OR FUNCTION OF THE BODY

File No. 0023191

Nature and Scope of Investigation:

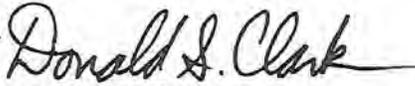
To investigate whether unnamed persons, partnerships, or corporations, or others engaged directly or indirectly in the advertising or marketing of dietary supplements, foods, drugs, devices, or any other product or service intended to provide a health benefit or to affect the structure or function of the body have misrepresented or are misrepresenting the safety or efficacy of such products or services, and therefore have engaged or are engaging in unfair or deceptive acts or practices or in the making of false advertisements, in or affecting commerce, in violation of Sections 5 and 12 of the Federal Trade Commission Act, 15 U.S.C. §§ 45 and 52. The investigation is also to determine whether Commission action to obtain redress for injury to consumers or others would be in the public interest.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation for a period not to exceed ten (10) years from the date of issuance of this resolution. The expiration of this ten (10) year period shall not limit or terminate the investigation or the legal effect of any compulsory process issued during the ten (10) year period. The Federal Trade Commission specifically authorizes the filing or continuation of actions to enforce any such compulsory process after expiration of the ten year period.

Authority to conduct investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. § 1.1 et seq. and supplements thereto.

By direction of the Commission.


Donald S. Clark
Secretary

Issued: August 13, 2009

EXHIBIT B



Office of the Secretary

United States of America
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

DEC 20 2017

Via Federal Express

Andrew Lustigman, Esq.
Olshan Frome Wolosky LLP
1325 Avenue of the Americas
New York, NY 10019

Re: FTC Matter No. 1723132

Dear Mr. Lustigman:

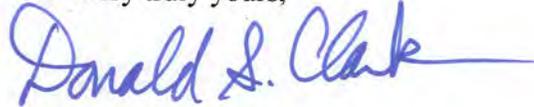
The Federal Trade Commission ("FTC" or "Commission") has issued the attached Civil Investigative Demand ("CID") asking for your client's oral testimony as part of a non-public investigation. Our purpose is to determine whether Encore Plus Solutions, Inc., as defined herein, has made false or unsubstantiated representations about the health-related benefits of ReGenify, Resetigen-D, or other products, in violation of Sections 5 and 12 of the FTC Act, 15 U.S.C. §§ 45 and 52, and whether Commission action to obtain monetary relief for injury to consumers or others would be in the public interest. Please read the attached documents carefully. Here are a few important points we would like to highlight:

1. **Contact FTC counsel, Mamie Kresses, at (202) 326-2070 or mkresses@ftc.gov, or Edward Glennon, at (202) 326-3126 or eglennon@ftc.gov, as soon as possible to schedule an initial meeting to be held within 14 days.** You can meet in person or by phone to discuss any questions you have, including whether there are changes to how you comply with the CID that would reduce your cost or burden while still giving the FTC the information it needs. Please read the attached documents for more information about that meeting.
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Very truly yours,



Donald S. Clark
Secretary of the Commission



CIVIL INVESTIGATIVE DEMAND
Oral Testimony

<p>1. TO</p> <p>Encore Plus Solutions, Inc. c/o Andrew Lustigman, Esq. Olshan Frome Wolosky LLP 1325 Avenue of the Americas New York, NY 10019</p>	<p>2. FROM</p> <p align="center">UNITED STATES OF AMERICA FEDERAL TRADE COMMISSION</p> <hr/> <p>2a. MATTER NUMBER 1723132</p>
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This demand is issued pursuant to Section 20 of the Federal Trade Commission Act, 15 U.S.C. § 57b-1, in the course of an investigation to determine whether there is, has been, or may be a violation of any laws administered by the Federal Trade Commission by conduct, activities or proposed action as described in Item 6.

<p>3. LOCATION OF HEARING</p> <p>Office of the U.S. Attorney 500 East Broward Boulevard Ft. Lauderdale, FL 33394</p>	<p>4. YOUR APPEARANCE WILL BE BEFORE</p> <p>Mamie Kresses, Edward Glennon, or other duly designated person</p> <hr/> <p>5. DATE AND TIME OF HEARING</p> <p>February 8, 2018; 9:00 AM</p>
--	--

6. SUBJECT OF INVESTIGATION

See attached Schedule and attached resolution.

<p>7. RECORDS CUSTODIAN/DEPUTY CUSTODIAN</p> <p>Lynne Colbert/Mamie Kresses Federal Trade Commission 600 Pennsylvania Avenue, NW, Mailstop CC-10532 Washington, DC 20580</p>	<p>8. COMMISSION COUNSEL</p> <p>Mamie Kresses and Edward Glennon Federal Trade Commission 600 Pennsylvania Avenue, NW, Mailstop CC-10532 Washington, DC 20580</p>
--	---

<p>DATE ISSUED</p> <p align="center">12/19/17</p>	<p>COMMISSIONER'S SIGNATURE</p> 
---	--

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Title _____

Sworn to before me this day

Notary Public

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**CIVIL INVESTIGATIVE DEMAND
TO ENCORE PLUS SOLUTIONS, INC.
SCHEDULE FOR ORAL TESTIMONY
FTC File No. 1723132**

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6. Without regard to time-period, [REDACTED] role in the Company, including his ownership interest in, or duties in connection with, any parent entities, subsidiaries, or affiliated entities.
7. Without regard to time-period, [REDACTED] background, education, training, and experience.
8. Without regard to time-period, [REDACTED] role in the Company, including his ownership interest in, or duties in connection with, any parent entities, subsidiaries, or affiliated entities.
9. Without regard to time-period, [REDACTED] background, education, training, and experience.
10. Without regard to time-period, the formulation and development of Regenify, Restigen-D, or any substantially similar product, and the persons, entities, and timelines involved.
11. Without regard to time-period, the manufacturing and labeling of Regenify, Restigen-D, or any substantially similar product, and the persons, entities, and timelines involved.

12. Without regard to time-period, research, testing, and substantiation relating to Regenify, Restigen-D, or any substantially similar products, constituent ingredients, or product claims, and the persons, entities, and timelines involved.
13. Without regard to time-period, advertising or marketing of Regenify, Resetigen-D, or any substantially similar product, including development of product claims, and the persons, entities, and timelines involved.
14. Complaints from any source regarding Regenify, Resetigen-D, or any substantially similar product.
15. Company policies and practices regarding complaints, testimonials, endorsements, refunds, chargebacks, and returns.
16. Without regard to time-period, the relationship between the Company and each of the following:
 - a. [REDACTED]
 - b. [REDACTED]
 - c. [REDACTED]
 - d. [REDACTED]
17. Without regard to time period, the Company's involvement, communications, or interactions with each of the following persons or companies:
 - a. [REDACTED]
 - b. [REDACTED]
 - c. [REDACTED]
 - d. [REDACTED]
 - e. [REDACTED]
 - f. [REDACTED]
18. Company policy and practice regarding retention of documents or records.

DEFINITIONS

The following definitions apply to this CID:

D-1. **“Advertisement”** or **“Advertising”** or **“Ad”** means any written or verbal statement, illustration, or depiction that promotes the sale or use of a good or service or is designed to increase consumer interest in a brand, good, or service. Advertising media includes, but is not limited to: packaging and labeling; promotional materials; print; television; radio; and Internet, social media, and other digital content.

D-2. **“Company,” “You,”** or **“Your”** means **Encore Plus Solutions, Inc.**, its wholly or partially owned subsidiaries, unincorporated divisions, joint ventures, operations under assumed names, and affiliates, and all directors, officers, members, employees, agents, consultants, and other persons working for or on behalf of the foregoing.

D-3. “**Document**” means the complete original, all drafts, and any non-identical copy, whether different from the original because of notations on the copy, different metadata, or otherwise, of any item covered by 15 U.S.C. § 57b-1(a)(5), 16 C.F.R. § 2.7(a)(2), or Federal Rule of Civil Procedure 34(a)(1)(A).

INSTRUCTIONS

I-1. **Petitions to Limit or Quash:** You must file any petition to limit or quash this CID with the Secretary of the FTC no later than twenty (20) days after service of the CID, or, if the return date is less than twenty (20) days after service, prior to the return date. Such petition must set forth all assertions of protected status or other factual and legal objections to the CID and comply with the requirements set forth in 16 C.F.R. § 2.10(a)(1) – (2). **The FTC will not consider petitions to quash or limit if you have not previously met and conferred with FTC staff and, absent extraordinary circumstances, will consider only issues raised during the meet and confer process.** 16 C.F.R. § 2.7(k); *see also* § 2.11(b). **If you file a petition to limit or quash, you must still timely respond to all requests that you do not seek to modify or set aside in your petition.** 15 U.S.C. § 57b-1(f); 16 C.F.R. § 2.10(b).

I-2. **Modification of Specifications:** The Bureau Director, a Deputy Bureau Director, Associate Director, Regional Director, or Assistant Regional Director must agree in writing to any modifications of this CID. 16 C.F.R. § 2.7(l).

I-3. **Oral Testimony Procedures:** The taking of oral testimony pursuant to this CID will be conducted in conformity with Section 20 of the Federal Trade Commission Act, 15 U.S.C. § 57b-1, and with Part 2A of the FTC’s Rules, 16 C.F.R. §§2.7(f), 2.7(h), and 2.9.

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

COMMISSIONERS: Jon Leibowitz, Chairman
Pamela Jones Harbour
William E. Kovacic
J. Thomas Rosch

RESOLUTION DIRECTING USE OF COMPULSORY PROCESS IN A NONPUBLIC INVESTIGATION OF UNNAMED PERSONS ENGAGED DIRECTLY OR INDIRECTLY IN THE ADVERTISING OR MARKETING OF DIETARY SUPPLEMENTS, FOODS, DRUGS, DEVICES, OR ANY OTHER PRODUCT OR SERVICE INTENDED TO PROVIDE A HEALTH BENEFIT OR TO AFFECT THE STRUCTURE OR FUNCTION OF THE BODY

File No. 0023191

Nature and Scope of Investigation:

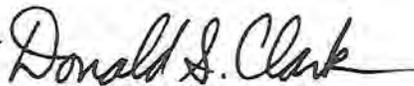
To investigate whether unnamed persons, partnerships, or corporations, or others engaged directly or indirectly in the advertising or marketing of dietary supplements, foods, drugs, devices, or any other product or service intended to provide a health benefit or to affect the structure or function of the body have misrepresented or are misrepresenting the safety or efficacy of such products or services, and therefore have engaged or are engaging in unfair or deceptive acts or practices or in the making of false advertisements, in or affecting commerce, in violation of Sections 5 and 12 of the Federal Trade Commission Act, 15 U.S.C. §§ 45 and 52. The investigation is also to determine whether Commission action to obtain redress for injury to consumers or others would be in the public interest.

The Federal Trade Commission hereby resolves and directs that any and all compulsory processes available to it be used in connection with this investigation for a period not to exceed ten (10) years from the date of issuance of this resolution. The expiration of this ten (10) year period shall not limit or terminate the investigation or the legal effect of any compulsory process issued during the ten (10) year period. The Federal Trade Commission specifically authorizes the filing or continuation of actions to enforce any such compulsory process after expiration of the ten year period.

Authority to conduct investigation:

Sections 6, 9, 10, and 20 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 49, 50, and 57b-1, as amended; FTC Procedures and Rules of Practice, 16 C.F.R. § 1.1 et seq. and supplements thereto.

By direction of the Commission.


Donald S. Clark
Secretary

Issued: August 13, 2009

EXHIBIT C

REDACTED

EXHIBIT D

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF IDAHO

In re the Matter of the Search of the Premises
of Specialty Fulfillment Center (DBA AC
Fillers), 3 17th St. S., Nampa, ID

Case No. 1:17-mj-9885-CWD

**GOVERNMENT'S RESPONSE TO
NORDIC CLINICAL'S MOTION FOR
RETURN OF PROPERTY PURSUANT
TO FEDERAL RULE OF CRIMINAL
PROCEDURE 41(g)**

The United States of America, by and through Bart M. Davis, United States Attorney, and the undersigned Assistant United States Attorney for the District of Idaho, hereby asks the Court to deny Nordic Clinical's Motion for Return of Property Pursuant to Federal Rule of Criminal Procedure 41(g).

INTRODUCTION

In this action under Rule 41(g) of the Federal Rules of Criminal Procedure, the movant, Nordic Clinical, Inc. (hereafter, "Nordic") asks this court to return various drug products seized from Specialty Fulfillment Center (DBA AC Fillers), 3 17th St. S., Nampa, ID, during the execution of a lawful search warrant on September 26, 2017, claiming both that the seizure was improper, and that the drugs at issue are otherwise lawfully marketed products. Because both

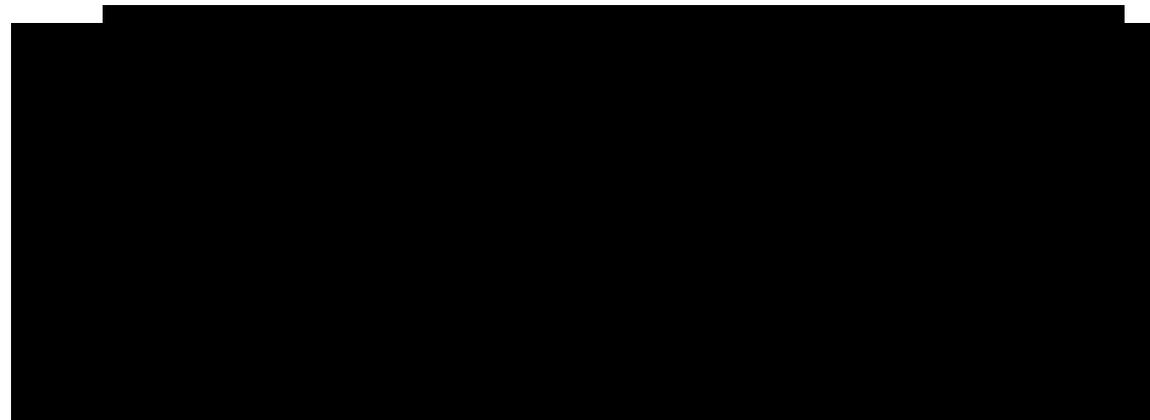
**GOVERNMENT'S RESPONSE TO NORDIC CLINICAL'S MOTION FOR RETURN OF
PROPERTY PURSUANT TO FED. R. CRIM. P. 41(g) - 1**

claims of Nordic are incorrect, the motion should be denied.

The Court should not provide the relief requested by Nordic for two reasons: first, because Nordic does not set forth facts that would support the Court's exercise of equitable jurisdiction, and second, because the unapproved new drugs and misbranded drugs that are contraband as well as evidence and instrumentalities in an ongoing criminal investigation cannot be returned. Likewise, under the equitable doctrine of Unclean Hands, the court should not return unmerchantable goods that were illegally introduced into interstate commerce.

FACTUAL BACKGROUND

On September 26, 2017, government agents executed a criminal search warrant at the premises of Specialty Fulfillment Center (DBA AC Fillers), 3 17th St. S., Nampa, ID. The search warrant affidavit, which was filed under seal, established probable cause to believe that evidence, instrumentalities, and records relating to violations of 21 U.S.C § 331 of the federal Food, Drug, and Cosmetic Act (FDCA) would be found at the premises. The warrant, issued by this Court, authorized the executing agents to seize, among other things:



b. All records and information

Exhibit A, ECF No. 4-3, p. 6-10.

During the execution of the warrant, law enforcement officers seized, among

other things, approximately 3500 bottles of various products labeled as “dietary supplements” and approximately 2800 packages of products labeled as “Actaflex” pain creams. *Id.* at p. 4-6. It is these products, labeling for various Nordic products, and two folders labeled “Nordic” that are the subject of Nordic’s Motion. ECF No. 4-1, p. 2-3.

ARGUMENT

In this case, not only do the balance of equities weigh in favor of the Government, but the nature of the products—unapproved new drugs and misbranded drugs shipped in interstate commerce—would bar their return altogether.

The movant does not set forth facts sufficient for the Court to exercise its equitable jurisdiction and reach the merits of the motion. Under Federal Rule of Criminal Procedure 41(g), “A person aggrieved by an unlawful search and seizure of property or by the deprivation of property may move for the property’s return.” When there are no criminal proceedings pending against the movant, Rule 41(g) motions are treated as civil proceedings invoking the court's equitable powers. *Ramsden v. U.S.*, 2 F.3d 322, 324 (9th Cir. 1993).¹ The *Ramsden* court articulated four factors a court should consider in determining whether to entertain a Rule 41(g) motion made prior to initiation of criminal proceedings:

- (1) whether the Government displayed a callous disregard for the constitutional rights of the movant;
- (2) whether the movant has an individual interest in and need for the property he wants returned;
- (3) whether the movant would be irreparably injured by denying return of the property; and
- (4) whether the movant has an adequate remedy at law for the redress of his grievance.

Id. at 325. No single factor is determinative. “If the ‘balance of equities tilts in favor of reaching

¹ At the time *Ramsden* was decided, Rule 41(e) governed return of property seized during a search warrant. *Ramsden*, 2 F.3d 322, n. 1.

the merits' of the Rule 41(g) motion, the district court should exercise its equitable jurisdiction to entertain the motion. *United States v. Kama*, 394 F.3d 1236, 1238 (9th Cir. 2005) (quoting *Ramsden*, 2 F.3d at 326.).

However, even if a court might otherwise entertain a motion under Rule 41(g), the motion must be denied "if the defendant is not entitled to lawful possession of the seized property, the property is contraband or subject to forfeiture, or the government's need for the property as evidence continues." *United States v. Van Cauwenberghe*, 934 F.2d 1048, 1061 (9th Cir. 1991). If the court reaches the merits of "a motion for return of property [that] is made before an indictment is filed (but a criminal investigation is pending), the movant bears the burden of proving both that the seizure was illegal and that he or she is entitled to lawful possession of the property." *United States v. Martinson*, 809 F.2d 1364, 1369 (9th Cir. 1987).

Nordic fails to meet either burden.

I. The products at issue were properly seized, and the *Ramsden* Factors Weigh in Favor of the Government.

a. The warrant authorized the seizure of the relevant products.

The Government did not display a callous disregard for Nordic's constitutional rights when it seized property in accordance with a lawfully obtained search warrant. Instead, the Government obtained and executed a valid search warrant at Specialty Fulfillment Center, 3 17th St. S., Nampa, ID, on September 26, 2017.

Attachment B of the search warrant sets forth property to be seized and begins with: [REDACTED]

[REDACTED] Exhibit A, ECF No. 4-3. Subsection 1(a) identifies certain products, relevant to the allegation in this motion, including: [REDACTED]

[REDACTED] *Id.* The
GOVERNMENT'S RESPONSE TO NORDIC CLINICAL'S MOTION FOR RETURN OF
PROPERTY PURSUANT TO FED. R. CRIM. P. 41(g) - 4

property to be seized by Attachment B was not specifically limited to items meant for injection or drugs only labeled as botulinum toxin. In fact, Attachment B was a non-exhaustive list over four pages describing property to be seized. That includes items such as “transportation and shipping records” and “invoices,” among many other items. *Id.*

The Neurocet, Blood Boost, ActaFLEX4x, labeling and inserts, and two folders of documents were properly seized. The three products—Neurocet, Blood Boost, and ActaFLEX4—are the focus of Nordic’s motion. As will be discussed below, those three products are all unapproved new drugs and misbranded drugs, and thus, are plainly evidence and instrumentalities relating to violations of 21 U.S.C. §331.

In addition, a plain view reading of the labeling would have alerted investigators that the products and, kits and inserts, and documentation, were within the scope of the warrant because they were unapproved new drugs. Information available on the Nordic website describes, for example, ActaFLEX4x as a product which relieves and mitigates symptoms of bodily pains to include arthritis of the fingers, hips, knees, shoulders and wrists, as well as to treat “bursitis” and “tendonitis” using a “unique transdermal delivery” via a “cetylated fatty acid complex.” *See* Exhibit 1-3, p.7-10. For the relevant time period, Nordic was not registered as a drug establishment; nor, for example, is ActaFLEX4x listed as a product by a registered drug manufacturer. *See, e.g.* Exhibit 2. A plain view of the product, would have identified the product as an unapproved new drug—bringing the property squarely within the bounds of the search warrant.²

² Arguments that the prosecutor involved in the case in any way acquiesced to allegations that the seized property was obtained unlawfully are inappropriate. As counsel is aware, the government is foreclosed from sharing or disclosing certain information; for example, the provisions of Local Criminal Rule 49.1 and Federal Rule of Criminal Procedure 6(e). *See* Exhibit D, ECF No. 4-6.

b. The movant does not have an individual interest in and need for the property that is the subject of the motion.

Nordic claims it has an individual interest in the property it seeks to have returned. This analysis is somewhat complicated by the fact that some of the labeling reads: “Distributed by: Nordic Clinical, #3 17th Ave. South, Nampa, ID 83651.” *See e.g.*, Exhibit 1-1, p. 13 and Exhibit 1-3, p. 12. The movant does not, however, make any assertions that the Specialty Fulfillment Center and Nordic Clinical are the same business.

Even assuming Nordic can show an individual interest in the property it seeks, it does not have a legitimate need for the property. Nordic sells the products at issue through its website at www.nordicclinical.com and claims that it will lose sales of approximately \$259,000 and additional losses from expired products.³ ECF No. 4-2, p. 2. Nordic argues that the products it seeks are “essential to its business.” ECF No.4-1, p.9. The pleadings and affidavit make it clear that Nordic’s intent and need for the property is for sales, but the property is unmerchtable.

Neurocet, Blood Boost, and ActaFlex4X are unapproved new drugs and misbranded drugs, as further discussed below. *See* Exhibits 1, 2. Federal law prohibits: the introduction into interstate commerce misbranded drugs (21 U.S.C. § 331(a)); and receiving misbranded drugs in interstate commerce, and the delivery or proffered delivery thereof for pay or otherwise (21 U.S.C. § 331(c)). Nordic identifies one need for the property that is the subject of the motion—to sell it—and that is prohibited.

For the items identified as Item #29-2 folders Nordic and Item#35-Receiving Invoices for

³ The alleged loss amount is unsupported. There is no calculation or documentation to show how the number was reached, if it is based on gross revenue, and why that would be an appropriate figure. In addition, there is no information provided regarding the actual cost of the products to manufacture or the wholesale value. The Government cites the alleged loss amount as evidence of Nordic’s intent to sell unapproved new drugs and misbranded drugs.

Nordic Clinical, that property was lawfully seized pursuant to 1(b) and (c) of Attachment B. *See* ECF No. 4-3, p. 6-7. Nordic does not assert it owns Specialty Fulfillment Center. Therefore, the documents at issue are the business records of a third party, and Nordic does not have an individual interest or need for the property.

c. The movant would not be irreparably injured by denying the motion to return property.

The property at issue is not merchantable. The property that is the subject of the motion has no value as unapproved new and misbranded drugs, as set forth below in detail. As such, the issue of potential expiration fails because the products cannot be sold.⁴ Nordic has not alleged any other irreparable injury. Also, the items seized are not unique. They are primarily products and labeling. The Government did not seize property that would prevent Nordic's business from functioning, such as, production lines, buildings, wholesale ingredients, or computers. Nordic has failed to show irreparable injury if its Motion is denied.

d. The movant has an adequate remedy at law for the redress of his grievance.

As there have not been any criminal proceedings filed, it appears that this is the appropriate remedy at law for Nordic to obtain its property. The Motion, however, may be premature. The Government has an evidentiary need for the property Nordic seeks. The property is evidence and instrumentality in an ongoing criminal investigation. It was lawfully seized on September 26, 2017, and Nordic filed its motion on November 16, 2017—less than two months after the property was seized.

⁴ For two of the products, Nordic provides reports entitled "Certificate of Analysis." At the top of the certificates is information it appears was taken from a label such as the products such as code number, product, manufacture date, and an expiration date approximately two years from the manufacture date. Vitaquest Certificates, Exhibit E, ECF No. 4-7. There is no certificate for ActaFLEX4x or other evidence supporting an expiration claim.

As the *Ramsden* factors weigh in favor of the Government, the Court should decline to exercise jurisdiction over this motion. If the Court finds that it has jurisdiction over the motion, the Government asks that the motion be denied because the property cannot be returned.

II. The drugs at issue are unapproved new drugs and misbranded drugs and are not subject to return.

Nordic's Motion makes two erroneous representations about the products it wants returned. First, they represent that Neurocet and Blood Boost are "dietary supplements," providing a list of ingredients in support of this conclusory statement. Second, while they admit that ActaFLEX4x is a drug, they also claim it is lawfully "distributed under the FDA's Tentative Final Monograph," again providing a list of ingredients in apparent support of the statement. *See* ECF No. 4-1, p.7-8. Neither representation is correct. Instead, all the products are unapproved new drugs, and misbranded drugs.

a. The drugs are unapproved new drugs and misbranded Drugs.

At the outset, an overview of the legal framework applicable to all the products at issue is helpful.

Under the federal Food, Drug, and Cosmetic Act (FDCA), "drugs" are defined as, among other things, articles intended for use in the cure, mitigation, treatment, or prevention of disease in man or other animals (21 U.S.C. § 321(g)(a)(B)); articles (other than food) intended to affect the structure or function of the body of man or other animals (21 U.S.C. § 321(g)(1)(C)); or articles intended for use as components of other drugs (21 U.S.C. § 321(g)(1)(D)). Thus, a product is a "drug" not because of its ingredients, but what it is intended to be used for (although the ingredients may help establish the intended use).

Under the FDCA, a "new drug" is defined as any drug, "the composition of which is such that such drug is not generally recognized among experts qualified by scientific training and

GOVERNMENT'S RESPONSE TO NORDIC CLINICAL'S MOTION FOR RETURN OF PROPERTY PURSUANT TO FED. R. CRIM. P. 41(g) - 8

experience to evaluate the safety and effectiveness of drugs, as safe and effective for use under the conditions prescribed, recommended, or suggested in the labeling thereof" 21 U.S.C. § 321(p). By law, a manufacturer must obtain FDA approval of a new drug application ("NDA") or an abbreviated new drug application ("ANDA") for each new drug before it may legally be introduced into interstate commerce. 21 U.S.C. § 355(a). The introduction of an unapproved new drug into interstate commerce is prohibited by 21 U.S.C. § 331(d).

In order for a drug to be generally recognized as safe and effective (GRASE) under particular conditions of use, and thus not a "new drug," the drug must satisfy three criteria:

1. The specific drug product must have been subjected to adequate and well-controlled clinical investigations that establish the product as safe and effective under the proposed conditions of use.
2. Those investigations must have been published in the scientific literature available to qualified experts.
3. Qualified experts must generally agree, based on those published studies, that the product is safe and effective under its proposed conditions of use.

See Weinberger v. Hyson, Westcott & Dunning, Inc., 412 U.S. 609, 629-634 (1973); *United States v. Rutherford*, 442 U.S. 544 (1979).

Under the FDCA, "dietary supplement" means a product (other than tobacco)

- 1) intended to supplement the diet that bears or contains one or more of the following dietary ingredients:
 - a. a vitamin;
 - b. a mineral;
 - c. an herb or other botanical; an amino acid;
 - d. a dietary substance for use by man to supplement the diet by increasing the total dietary intake; or
 - e. a concentrate, metabolite, constituent, extract, or combination of any ingredient described above; AND
- 2) Is intended for ingestion, AND
- 3) Is labeled as a dietary supplement.

21 U.S.C. § 321(ff).

However, a product that might otherwise meet the definition of a "dietary supplement" is

a drug –and regulated as a drug, not a dietary supplement--if it meets the drug definition in 21 U.S.C. § 321(g).⁵ Under the FDCA, the "intended use" of a product is the ultimate key to determining into which category that product falls, and how it is regulated by FDA.

“Intended Use” means the objective intent of the persons legally responsible for the labeling of that article. The intent is determined by such persons' expressions, or can be shown by the circumstances surrounding the distribution of the article, such as labeling claims; advertising matter; oral or written statements by such persons or their representatives; or circumstances that the article was, with the knowledge of such persons or their representatives, offered and used for a purpose for which it was neither labeled nor advertised. 21 C.F.R § 201.128. Thus, if an ingestible product, labeled a “dietary supplement,” is intended by its distributor to cure, mitigate, treat or prevent disease in man, it is a drug—even if the product labeling also includes disclaimers about the intent to cure, mitigate, treat, or prevent disease. *Church of Scientology v. Richardson*, 437 F.2d 214 (9th Cir. 1971) (“Furthermore, labels of disclaimer are not controlling, but are to be considered together with any extrinsic evidence of the device's intended use (e. g. publications, advertisements, etc.)” (citing *Alberty Food Prod's v. United States*, 194 F.2d 463 (9th Cir. 1952))).

Also under the FDCA, “label” means a display of written, printed, or graphic matter upon the immediate container of any article. 21 U.S.C. § 321(k). The term “labeling” is defined more broadly as all labels and other printed or graphic matter upon any article or any of its containers or wrappers, or accompanying such article. 21 U.S.C. § 321(m). It is unnecessary for the matter

⁵ Note that one of the definitions for “drug,” says that “articles (*other than food*) intended to affect the structure or function of the body of man” are drugs. (21 U.S.C. § 321(g)(1)(C), emphasis added). Distributors of dietary supplements, which are a subset of food, are allowed to make structure/function claims for their products under certain conditions.

to have been physically attached to the drug or to have been shipped at the same time or with the drug to constitute “labeling.” If such matter is provided as part of an integrated distribution program pertaining to a drug and explains the uses of the drug, then it “accompanies” the drug and constitutes “labeling.” *United States v. Kordel*, 335 U.S. 345 (1948); *United States v. Urbuteit*, 335 U.S. 355 (1948). Indeed, information on a company’s website from which the product is marketed or sold can constitute “labeling” if such information is provided as part of an integrated distribution program with respect to the drug.⁶

All manufacturers, foreign and domestic, of drugs intended for distribution in the United States are required to register their manufacturing establishments, and are required to annually list every drug that they manufacture in each facility. 21 U.S.C. §360(b), (i), and (j). The failure of such persons to register or list is a crime. 21 U.S.C. §331(p).

Drugs are misbranded if, among other things: Its labeling is false or misleading in any particular; or If it was not manufactured, prepared, propagated, compounded or processed in a registered establishment under §360, or was not included in a list required by §360(j). 21 U.S.C. § 352(a) and (o). The introduction into interstate commerce of misbranded drugs is a crime (21 U.S.C. § 331(a)), as is the receipt of misbranded drugs in interstate commerce, and the delivery or proffered delivery thereof for pay or otherwise (21 U.S.C. § 331(c)).

i. Neurocet

Nordic labels their product Neurocet as a “dietary supplement,” and their Motion suggests that providing a list of ingredients for the product will establish that claim. However, in this case, the ingredients are irrelevant to the determination of whether Neurocet meets the

⁶ Websites associated with a manufacturer or distributor may also be the source of finding that entity’s intended uses of their products.

statutory definition of a “dietary supplement,” because the objective intended uses of Neurocet include the cure, mitigation, treatment, or prevention of disease in man. These intended uses make Neurocet a drug.

Evidence establishing that the intended use of Neurocet is to cure, mitigate, treat or prevent disease is abundant. Among the claims for the product on its website, which constitutes labeling for Neurocet, even today are:

Neurocet fights pain on three fronts for total body pain relief. First, it pumps up your brain’s own endorphins, giving them 48 times the pain- relieving power of morphine. Second, it inhibits collagen breakdown for stronger joints. Third, it suppresses inflammation, which can cause heat pain and swelling. By suppressing this inflammation, Neurocet reduces pain and stiffness, which can be especially helpful for those suffering from arthritis.

Neurocet helps get rid of pain all over your body! This includes, but is not limited to, pain such as: back pain, migraine headaches, joint pains, muscle aches, fibromyalgia, chronic pain, rheumatoid arthritis, osteoarthritis, whiplash, upper back pains, aching knuckles, premenstrual cramps and addictive withdrawal pain.

Exhibit 6.

Even more claims that Neurocet cures, mitigates, treats or prevents disease were in promotional flyers that were sent as part of Nordic’s integrated marketing for Neurocet: “Neurocet blocks collagen breakdown and soothes inflammation” Additional claims such as, “Neurocet's APRESFLEX: Stops joint destruction by blocking collagen breakdown in your cartilage and connective tissues” and “Neurocet's Fruitex-B directly suppresses the inflammation that underlies most pain” are included.

There are no adequate and well-controlled clinical investigations of Neurocet for any purpose whatsoever that have been published in the scientific literature available to qualified experts. *See* Exhibits 1, 1-1. Therefore, Neurocet is both a drug and a new drug under the FDCA, and the statutes and regulations governing the marketing of drugs for sale in the United

States apply to this product. Labeling this drug a “dietary supplement” is false and misleading.

A search of the FDA’s drug approval databases reveal that Neurocet is not the subject of any of the kinds of new drug approvals described by 21 U.S.C. § 355. *Id.* Neither Nordic Clinical, Inc., nor the distribution center at 3 17th St. S., Nampa, ID is registered with FDA as a drug manufacturer. *See* Exhibit 2. Moreover, no drug establishment, foreign or domestic, has listed Neurocet as a drug it manufactures for sale in the United States.⁷ *Id.*

Based on the above analysis, Neurocet is an unapproved new drug, and is misbranded in that its labeling is false and misleading (21 U.S.C. § 352(a)), and it is manufactured in an unregistered drug establishment and is not listed by any registered drug manufacturer (21 U.S.C. § 352(o)). The introduction into interstate commerce of Neurocet did, and would, violate 21 U.S.C. §§ 331(a) and (d).⁸

ii. Blood Boost

Nordic also labels their “Blood Boost” product as a “dietary supplement,” and again, their Motion seems to suggest that providing a list of “legal” ingredients in that product settles that issue. However, as with the Neurocet product, the objective intended uses of “Blood Boost” are clearly the cure, mitigation, treatment, or prevention of disease in man. These intended uses make “Blood Boost” a drug.

The immediate label on “Blood Boost” is benign enough. But claims that this product cures, mitigates, treats, or prevent disease are quickly found in labeling and promotional material

⁷ Under 21 U.S.C. §360(i)(1)(A)(i)), a foreign manufacturer of drugs to be imported into the United States, in addition to registering, must provide FDA with the name and address of its U.S. agent and the name of any known importer of the drug in the United States.

⁸ Moreover, the receipt in interstate commerce of Neurocet by Specialty Fulfillment Center from Nordic Clinical, and the delivery or proffered delivery of those products to consumers for pay or otherwise, violated and would violate 21 U.S.C. §331(c).

for the product. For example, on the website from which the product is sold even today is a link to where Nordic compares the product to FDA-approved drugs intended to treat erectile dysfunction:

N-O Blood Boost works to restore nitric oxide levels in the body. Improving N-O availability often resolves erectile dysfunction. In fact, the popular erectile dysfunction drugs Viagra, Cialis and Levitra work on nitric oxide pathways to increase blood flow to the penis and substantially improve erections and sexual performance.⁹

Exhibit 6, p.2; *see also* Exhibit 6, p.1 (containing additional labeling).¹⁰

Even more blatant claims for treating medical conditions are made in a booklet that Nordic provides customers about Blood Boost. One of which was mailed to a private citizen who provided it to law enforcement and it was given to an FDA Office of Criminal Investigation agent prior to the issuance of the search warrant.¹¹ Exhibit 3. The twenty-seven page booklet is replete with claims for the product (which constitutes labeling for Blood Boost): “The Cure for Disease as We Know It!” and “Kill bacteria and other dangerous organisms.” *Id.* Blood Boost is also claimed to “Relax and Expand arteries” and also “Lowers blood pressure! Reduces coronary artery disease risk! Helps prevents hardening of the arteries!” *Id.*

These types of claims continue throughout the booklet. “Fantastic for your blood pressure - your doctor will be STUNNED!” and “like magic—your blood vessels expand by 62 percent to boost circulation throughout your entire body (**Yes- 62 percent! It’s clinically**

⁹ <https://support.nordicclinical.com/hc/en-us/articles/218210677-How-might-men-in-particular-benefit-from-N-O-Blood-Boost->

¹⁰ <https://support.nordicclinical.com/hc/en-us/articles/218210577-What-is-nitric-oxide-N-O-and-why-is-it-so-critical-to-human-health->

¹¹ Interestingly, the return address on this booklet was “Nordic Clinical, 4737 N. Ocean Drive #111, Fort Lauderdale, FL,” which appears to be the business premises of “Pak Mail,” a copying, mailbox rental, and shipping services business, as well as a “virtual office” business:

<https://www.opusvirtualoffices.com/virtual-office/florida/fort-lauderdale/location-16> .

GOVERNMENT’S RESPONSE TO NORDIC CLINICAL’S MOTION FOR RETURN OF PROPERTY PURSUANT TO FED. R. CRIM. P. 41(g) - 14

proven!”). *Id.* (emphasis in original). These are only a few of the literally dozens of claims in the booklet regarding the intended use of Blood Boost to cure, mitigate, treat, and prevent a variety of diseases; clearly, it is a drug.

There are no adequate and well-controlled clinical investigations of Blood Boost for any purpose whatsoever that have been published in the scientific literature available to qualified experts. *See* Exhibits 1, 1-2. Therefore, it is also a new drug under the FDCA, the statutes and regulations governing the marketing of drugs for sale in the United States apply to this product. Labeling this drug a “dietary supplement” is false and misleading.

A search of the FDA’s drug approval databases reveal that Blood Boost is not the subject of any of the kinds of new drug approvals described by 21 U.S.C. § 355. *Id.* Neither Nordic Clinical, Inc., nor the distribution center at 3 17th St. S., Nampa, ID is registered with FDA as a drug manufacturer. *See* Exhibit 2. Moreover, no drug establishment, foreign or domestic, has listed Blood Boost as a drug it manufactures for sale in the United States. *Id.*

Based on the above analysis, Blood Boost is an unapproved new drug, is misbranded in that its labeling is false and misleading (21 U.S.C. § 352(a)), and it is manufactured in an unregistered drug establishment and is not listed by any registered drug manufacturer (21 U.S.C. § 352(o)). The introduction into interstate commerce of Blood Boost did, and would, violate 21 U.S.C. §§ 331(a) and (d).¹²

iii. ActaFLEX4x

Nordic’s Motion represents that its topical drug ActaFLEX4x “...is otherwise distributed under the FDA’s Tentative Final Monograph, 48 Fed Reg. 3852 (Feb. 8, 1983),” and thus a

¹² *See* footnote 8; the same §331(c) violation would apply to Specialty’s shipments of Blood Boost.

lawfully marketed over-the-counter (OTC) drug. ECF No.4-1, p.7. However, ActaFLEX4x does not comport with the referenced Tentative Final Monograph (TFM).

The OTC Drug Review program was created by FDA in 1972 to facilitate the efficient review of hundreds of thousands of OTC drugs already on the market at that time. Rather than approve each individual product, as is done for prescription drugs and certain OTC drugs, the OTC Drug Review developed monographs for various therapeutic categories (e.g. external analgesics, cough/cold products). The monographs established conditions, such as active ingredients, indications, dosage form and labeled directions, under which an OTC drug is generally recognized as safe and effective (GRASE). An OTC drug that meets the specific conditions contained in a monograph is not required to be approved by FDA before marketing.

The OTC Drug Review was intended to be a three-step, public notice and comment rulemaking process. As originally implemented, the process began with publication in the Federal Register of reports from an outside panel of experts. These reports were published in Advance Notices of Proposed Rulemakings, or ANPRs. Public comments on these reports were submitted by the drug industry, by medical professionals, and by consumers – anyone with an interest in the topic of the report could submit comments. FDA considered the reports, comments, any new data and information, revised the ANPR accordingly, and published the revisions as a proposed rule. The proposed rule is also known as the TFM.

In response to the TFM, a second round of comments was received and evaluated. Following submission of comments to the TFM, the last step of the process was for FDA to analyze the comments and data that were submitted in response to the TFM, and to revise the monograph and publish it as a final rule. Once published, the final monograph would contain the regulations that establish the conditions under which a category of OTC drugs is considered

GRASE. The final monographs would then be published in the Code of Federal Regulations in Title 21, Food and Drugs.

Although some monographs in the OTC drug review were finalized using this three-step public notice and comment rulemaking process, for many other monographs, various issues have delayed the publishing of a final rule. Thus, for more than 30 years, many categories of OTC products have remained covered by the TFM. Pending a final monograph/rule, FDA generally does not object to the marketing of products that meet both the formulation and labeling required described in the TFM. But for products which do not comport with a final monograph or TFM, the regulatory scheme for new drugs is applied.

Drug products intended for external (generally topical) analgesic indications such as the relief of pain are evaluated under the TFM for OTC External Analgesics (48 Federal Register (FR) 5852, February 8, 1983). *See* 48 FR 5709, pp. 5852-69, Exhibit 4.

At first glance, ActaFLEX4x might appear to be within the TFM. The immediate product label says that the active ingredient in ActaFLEX4x Pain Relief Cream is menthol 1.25%, which is a proposed acceptable ingredient in the TFM. The indications of use found on the product label are also included in the TFM.

However, as explained above, there is more to the *labeling* of ActaFLEX4x than just what appears on the immediate packaging, and here, that labeling removes ActaFLEX4x from the umbrella of the TFM. Among those labeling issues: There are additional indications for use on Nordic's website that are not in the TFM, including treating "bursitis" and "tendonitis." *See* Exhibit 1-3, p. 7. The website also makes claims that the product has a "unique transdermal delivery," which is a novel dosage form that requires NDA approval (21 C.F.R. § 310.3(h)(5)) and is not covered under the TFM. *See* Exhibit 1-3, p. 10. The website says use of the product

has “cumulative benefits by using it over a 30-day period.” *Id.* at p.9. The TFM does not provide for any “cumulative” effects claims.

In addition, ActaFLEX4x is also outside the TFM, as well as being misbranded under 21 U.S.C. § 352(a), because while the Drug Facts lists “menthol 1.25%” as the sole active ingredient, the website labeling describes “cetylated fatty acid complex,” a labeled inactive ingredient, in a role greater than its inactive purpose. *Id.*; *see* 21 C.F.R. § 201.10(c)(4) (“The labeling of a drug may be misleading by reason (among other reasons) of: . . . The featuring in the labeling of inert or inactive ingredients in a manner that creates an impression of value greater than their true functional role in the formulation.”) Based on the labeling on Nordic’s website beginning with the title “The ActaFLEX 4x Secret” (Exhibit 1-3, p. 9), “cetylated fatty acid complex” is intended as an active ingredient, defined at 21 CFR § 201.66(b)(2) as “any component that is intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body of humans. The term includes those components that may undergo chemical change in the manufacture of the drug product and be present in the drug product in a modified form intended to furnish the specified activity or effect.” Inclusion of “cetylated fatty acid complex” in this role also causes ActaFLEX4x to fall outside of the TFM; it is thus a new drug.

There are no adequate and well-controlled clinical investigations of ActaFLEX4x for any purpose whatsoever that have been published in the scientific literature available to qualified experts. *See* Exhibit 1.

Since ActaFLEX4x is both a drug and a new drug under the FDCA, the statutes and regulations governing the marketing of drugs for sale in the United States apply to this product.

A search of the FDA’s drug approval databases reveal that ActaFLEX4x is not the

subject of any of the kinds of new drug approvals described by 21 U.S.C. § 355. *Id.* As previously noted, neither Nordic Clinical, Inc., nor the distribution center at 3 17th St. S., Nampa, ID is registered with FDA as a drug manufacturer. *See* Exhibit 2. Moreover, no drug establishment, foreign or domestic, has listed ActaFlex4x as a drug it manufactures for sale in the United States. *Id.*

Based on the above analysis, ActaFLEX4x is an unapproved new drug, and is misbranded in that its labeling is false and misleading (21 U.S.C. § 352(a)), and it is manufactured in an unregistered drug establishment and is not listed by any registered drug manufacturer (21 U.S.C. § 352(o)). The introduction into interstate commerce of ActaFLEX4x did, and would, violate 21 U.S.C. §§ 331(a) and (d).¹³

b. The drug products seized are not subject to return.

A Rule 41(g) motion should be denied "if the defendant is not entitled to lawful possession of the seized property, the property is contraband or subject to forfeiture, or the government's need for the property as evidence continues." *United States v. Van Cauwenberghe*, 934 F.2d 1048, 1061 (9th Cir. 1991).

i. The drug products seized are contraband.

A Motion for Return of Property under Rule 41(g) cannot be granted when the property in question is contraband, and should never be returned even to a rightful owner. *United States v. Jeffers*, 342 U.S. 48 (1951). *Trupiano v. United States*, 334 U.S. 699, 710 (1948); Fed. R. Crim. P. 41(g) (advisory committee note accompanying 1972 amendments: "the judge in the district of seizure does not have to decide the legality of the seizure in cases involving

¹³ See footnote 8; the same §331(c) violation would apply to Specialty's shipments of ActaFLEX4x.

contraband which, even if seized illegally, is not to be returned.”). The rule against returning contraband is so broad that it cannot be returned even if the seizure itself was unlawful.

Trupiano, 334 U.S. at 710.

Contraband is "any property which is unlawful to produce or possess. Things and objects outlawed and subject to forfeiture and destruction upon seizure. . . . Goods exported from or imported into a country against its laws." BLACK'S LAW DICTIONARY, 322 (Sixth Edition, 1990). In *Bennis v. Michigan*, the dissent identified different types of contraband, pertinent to this matter is: "The first category—pure contraband—encompasses items such as adulterated food, sawed-off shotguns, narcotics, and smuggled goods. With respect to such "objects the possession of which, without more, constitutes a crime," the government has an obvious remedial interest in removing the items from private circulation, however blameless or unknowing their owners may be." *Bennis v. Michigan*, 516 U.S. 442, 459 (1996) (J. Stevens, dissenting) (citation omitted). *See also Myers v. Malone & Hyde*, 173 F.2d 291, 295 (8th Cir. 1949) ("But being misbranded [the canned tomatoes] were subject to confiscation by the United States and could not be legally held or sold by the buyer. They were contraband under the law of the United States, and as such were not merchantable.").

In this case, the products at issue— Neurocet, Blood Boost and ActaFLEX4x-- are unapproved new drugs and misbranded drugs, shipped in interstate commerce to Idaho in violation of 21 U.S.C. §§ 331(a) and (d), and proffered for sale from that location in violation of 21 U.S.C. § 331(c). Indeed, Nordic's own Motion admits that Nordic wants these drugs returned so that they can continue to introduce them into interstate commerce to fulfill customer orders, which would constitute further criminal acts.

ii. The property is evidence in an ongoing investigation.

Another factor for consideration in *Van Cauwenberghe* is whether government's need for the property continues. The government has had these products for approximately two months. At this time, the government seeks to maintain the lawfully seized property as it continues a criminal investigation.

III. Under the doctrine of unclean hands, the Court should not provide the relief requested by Nordic.

Because Nordic's Motion asks for equitable relief, all the principles of equity apply. This doctrine "provides that a party to a lawsuit may not obtain the relief it seeks if it has engaged in wrongful conduct." *Smith v. United States*, 293 F.3d 984, 988 (7th Cir. 2002).

"[H]e who comes into equity must come with clean hands. This maxim is far more than a mere banality. It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks, however improper may have been the behavior of the defendant." *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814 (1945). *See also Adler v. Fed. Republic of Nigeria*, 219 F.3d 869, 877 (9th Cir.2000); *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 956 (9th Cir. 2001).

As demonstrated above, these drugs are contraband – misbranded and unapproved new drugs unlawfully shipped in interstate commerce. Nordic asks the court to ignore the illegality of its business and the contraband nature of these goods, and simply return these unmerchantable drugs so they may continue their unlawful conduct. "[E]quitable relief *will* be refused if it would give the plaintiff a wrongful gain." *Scheiber v. Dolby Laboratories, Inc.*, 293 F.3d 1014, 1021-22 (7th Cir., 2002, emphasis added). A court should always "withhold an equitable remedy that would encourage, or reward (and thereby encourage), illegal activity." *Shondel v. McDermott*, 775 F.2d 859, 868 (7th Cir. 1985). "Public policy . . . makes it *obligatory* for courts to deny a

GOVERNMENT'S RESPONSE TO NORDIC CLINICAL'S MOTION FOR RETURN OF PROPERTY PURSUANT TO FED. R. CRIM. P. 41(g) - 21

plaintiff relief once his 'unclean hands' are established" *Gaudiosi v. Mellon*, 269 F.2d 873, 881-82 (3d Cir. 1959), *cert. denied*, 361 U.S. 902 (1959) (emphasis added).

CONCLUSION

The Court should deny the petition because the property that is the subject of the request to return was lawfully seized pursuant to a search warrant, the *Ramsden* factors weigh in the Government's favor, and the products are unapproved new drugs and misbranded drugs and cannot be returned. Likewise, under the equitable doctrine of unclean hands, this court should deny Nordic this relief, since the very business it conducts is unlawful, and the product it distributes cannot be legally sold. For all the foregoing reasons, the United States respectfully requests that the Court deny the Motion.

Respectfully submitted this 1st of December, 2017.

BART M. DAVIS
UNITED STATES ATTORNEY
By:

/s/ _____
DARCI N. WARD
Assistant United States Attorney

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on December 1, 2017, the foregoing **GOVERNMENT'S RESPONSE TO NORDIC CLINICAL'S MOTION FOR RETURN OF PROPERTY PURSUANT TO FED. R. CRIM. P. 41(g)** was electronically filed with the Clerk of the Court using the CM/ECF system, and that a copy was served on the following parties or counsel by:

<p>Scott McKay (ISB#4309) NEVIN, BENJAMIN, McKAY & BARTLETT 303 West Bannock Boise, Idaho 83701 Telephone: (208) 343-1000 smckay@nbmlaw.com</p> <p>Andrew B. Lustigman OLSHAN FROME WOLOSKY, LLP 1325 Avenue of the Americas New York, New York 10019 Telephone: (212) 451-2300 alustigman@olshanlaw.com</p>	<p><input type="checkbox"/> United States Mail, postage prepaid</p> <p><input type="checkbox"/> Fax</p> <p><input checked="" type="checkbox"/> ECF filing</p> <p><input type="checkbox"/> E-mail</p>
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Darci N. Ward

EXHIBIT E

BART M. DAVIS, IDAHO STATE BAR NO. 2696
UNITED STATES ATTORNEY
DARCI N. WARD, IDAHO STATE BAR NO. 8852
ASSISTANT UNITED STATES ATTORNEY
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TELEPHONE: (208) 334-1211
FACISMILE: (208) 334-1413

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF IDAHO

IN RE SEARCH OF SPECIALTY
FULFILLMENT CENTER,
3 17TH AVE. S, NAMPA, ID

NORDIC CLINICAL, INC.,

Petitioner,

vs.

UNITED STATES OF AMERICA,

Respondent.

Case No. 17-mc-09979-CWD

RESPONSE TO SUPPLEMENTAL
DECLARATION OF ANDREW B.
LUSTIGMAN IN FURTHER SUPPORT OF
NORDIC'S MOTION FOR RETURN OF
PROPERTY UNDER RULE 41(g)

The United States of America, by and through Bart M. Davis, United States Attorney, and the undersigned Assistant United States Attorney for the District of Idaho, submits this response to the Supplemental Declaration of Andrew B. Lustigman in Further Support of Nordic's Motion for Return of Property Under Rule 41(g) ("Declaration"). (ECF No. 18.)

GOVERNMENT RESPONSE TO SUPPLEMENTAL DECLARATION OF ANDREW B.
LUSTIGMAN IN FURTHER SUPPORT OF NORDIC'S MOTION FOR RETURN OF
PROPERTY UNDER RULE 41(g) - 1

Following the evidentiary hearing on December 11, 2017, Nordic Clinical (“Nordic”) was asked to provide additional information regarding its ownership of the return of property motion and identifying manufacturers of the unapproved new drugs and misbranded drugs. The Declaration discusses four products: Neurocet, Blood Boost, GSH-3, and ActaFLEX4x. The Government did not seize any of the GSH-3 product, so it is not addressed in this Response.¹

Neurocet and Blood Boost are unapproved new drugs and are misbranded in that the labeling is false and misleading (21 U.S.C. § 352(a)). (See ECF No. 8, p. 8-15.) Both products are manufactured in an unregistered drug establishment and are not listed by any registered drug manufacturer (21 U.S.C. § 352(o)). No information provided in the Declaration shows otherwise.

ActaFLEX4x does not comport with the External Analgesic Drug Products for Over-the-Counter Human Use; Tentative Final Monograph (“TFM”) for multiple reasons. The Declaration attempts to overcome the fact that ActaFLEX4x is misbranded pursuant to 21 U.S.C. § 352(a). The Drug Facts on ActaFLEX4x list “menthol 1.25%” as the sole active ingredient, but the labeling and the Declaration identify Celadrin as an active ingredient. (See ECF No. 18, ¶ 12, 16.) In addition, the identification of Celdarin as an active ingredient also causes it to fall outside the TFM. (See ECF No. 8, p. 17-19.) The Declaration asserts: “the Government takes issue with the active ingredient ‘Celadrin’ – a fatty acid complex which contains the form of menthol. . . .” (*Id.*) This assertion is problematic for a number of reasons.

First, menthol is not a fatty acid; and, therefore, a “fatty acid complex” could not properly describe a blend of items containing menthol. Second, [REDACTED] is the

¹ The Inventory of Evidence from the search warrant lists GSH-3 kitted inserts. The Government maintains its position set forth in the Response to Nordic’s Motion Pursuant to Rule 41(g) (ECF No. 8) and at the evidentiary hearing on December 11, 2017.

registrant of a finished drug with the proprietary name of Celadrin, which is registered as meeting the OTC monograph for topical pain creams and identified by NDC 65643-406. *See* Exhibit 1. An ingredient cannot meet a monograph. The monograph describes finished drugs for specific medical indications, it does not describe ingredients. Third, the assertion that ActaFLEX4x contains Celdarin as an active ingredient directly conflicts with the label of ActaFLEX4x that identifies Celdarin as an inactive ingredient. (ECF No. 19-3, p. 5.) Thus, the declarations, representations, and labeling are in conflict.

The Declaration asserts that ActaFLEX4x is the finished drug product Celdarin that meets the TFM. If that is true, then ActaFLEX4x is misbranded pursuant to 21 U.S.C. § 352(a). If Nordic asserts that the ActaFLEX4x label is correct and Celdarin is an inactive ingredient, then ActaFlex4x is not only misbranded; it is also outside the TFM. In addition, if Celdarin is one ingredient mixed with a number of ingredients, then it is not the [REDACTED] product that is produced as NDC 65643-406.

The NDC 65643-406 that appears on some of the seized ActaFLEX4x tubes is a NDC for a finished product with the proprietary name Celadrin that was registered by [REDACTED]. The Declaration concedes that Nordic should be using their own NDC on the ActaFLEX4x. The Declaration attempts to dismiss this noncompliance, stating “this, in my judgment, is a technical deficiency.” (ECF No. 18, ¶ 15.) Nordic cannot choose to comply with certain laws while simultaneously judging their violations of other laws as “technical deficiencies.” In fact, using the NDC from [REDACTED] obviates traceability to the manufacturer, as this case well demonstrates. Using the [REDACTED] NDC suggests [REDACTED] made the finished product, and the Declaration indicates that Tri-Pharma was contracted to manufacture the product. (ECF No. 18, ¶ 14.) The printout from the FDA’s National Drug Code Directory further makes this point. Attached to the GOVERNMENT RESPONSE TO SUPPLEMENTAL DECLARATION OF ANDREW B. LUSTIGMAN IN FURTHER SUPPORT OF NORDIC’S MOTION FOR RETURN OF PROPERTY UNDER RULE 41(g) - 3

Declaration as Exhibit H, the printout shows three different companies that have listed the proprietary name of Celadrin, but each have their own NDC. (ECF No. 18-8.)

Special Agents with the FDA Office of Criminal Investigations spoke to some representatives from [REDACTED] on December 19, 2017. [REDACTED] representatives indicated that [REDACTED] manufactured a cream containing the ingredient Celadrin for a company that declared bankruptcy about twelve to eighteen months ago. During the bankruptcy stage, that company introduced [REDACTED] to one of its largest customers, Tri-Pharma. [REDACTED] subsequently used the remaining finished product originally produced for the bankrupt company to package ActaFLEX4x for Tri-Pharma. [REDACTED] manufactured 2 batches of ActaFLEX4x for Tri-Pharma. The orders included one batch for 5,500 tubes and another for 19,500 tubes. The tubes were filled at [REDACTED] and the finished product was shipped to Specialty Fulfillment Center, 3 17th Ave South, Nampa, ID 83651. The representatives from [REDACTED] were not familiar with the names Nordic Clinical or Mile High Madison Group and did not have any memory of business dealings with the companies.² Separately, [REDACTED] registered NDC 65643-406 as a manufacturer, packager, and filler of the product Celadrin in 2009. *See* Exhibit 1.

The Declaration represents that Tri-Pharma was “contracted to manufacture ActaFLEX4x for Nordic.” (ECF No. 18, ¶ 14.) The Drug Registration and Listing electronic database does not show Tri-Pharma as having registered any establishment as a drug establishment. Even assuming Tri-Pharma was contracted to manufacture ActaFLEX4x, the invoice used by Nordic to prove this relationship is from November 2015. (ECF No. 18-5.) Nordic has failed to provide an invoice showing any evidence of this manufacturing relationship within the past two years. The

² [REDACTED] representatives indicated it was an error for them to overlook the use of their NDC printed on the label and not verify its legitimacy.

provided invoice is billed to Mile High Madison DBA Nordic Clinical and the product is to be shipped to the Specialty Fulfillment Center, 3 17th Ave. South, Nampa, ID. In November 2016, Mile High Madison Group, Inc. was identified as a parent corporation of Nordic Clinical. *See* Exhibit 2. The exemplary contract provided by Nordic as evidence of their relationship with Specialty Fulfillment Center states that “[Specialty Fulfillment Center] will develop and manage a program for MILE HIGH MADSION GROUP products.” (*See* ECF No. 18-9, p. 3.) No additional information is provided regarding Mile High Madison Group and their relationship to Nordic.

Respectfully submitted, the 26th day of December, 2017.

Darci N. Ward
Assistant United States of America

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on December 27, 2017, the foregoing RESPONSE TO SUPPLEMENTAL DECLARATION OF ANDREW B. LUSTIGMAN IN FURTHER SUPPORT OF NORDIC'S MOTION FOR RETURN OF PROPERTY UNDER RULE 41(g) was electronically filed with the Clerk of the Court using the CM/ECF system, and that a copy was served on the following parties or counsel by:

<p>Scott McKay (ISB#4309) NEVIN, BENJAMIN, McKAY & BARTLETT 303 West Bannock Boise, Idaho 83701 Telephone: (208) 343-1000 smckay@nbmlaw.com</p> <p>Andrew B. Lustigman OLSHAN FROME WOLOSKY, LLP 1325 Avenue of the Americas New York, New York 10019 Telephone: (212) 451-2300 alustigman@olshanlaw.com</p>	<p><input type="checkbox"/> United States Mail, postage prepaid</p> <p><input type="checkbox"/> fax</p> <p><input checked="" type="checkbox"/> ECF filing</p> <p><input type="checkbox"/> email</p>
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Darci N. Ward

GOVERNMENT RESPONSE TO SUPPLEMENTAL DECLARATION OF ANDREW B. LUSTIGMAN IN FURTHER SUPPORT OF NORDIC'S MOTION FOR RETURN OF PROPERTY UNDER RULE 41(g) - 6

EXHIBIT F

REDACTED

EXHIBIT G

REDACTED

EXHIBIT H

January 8, 2017

VIA E-MAIL

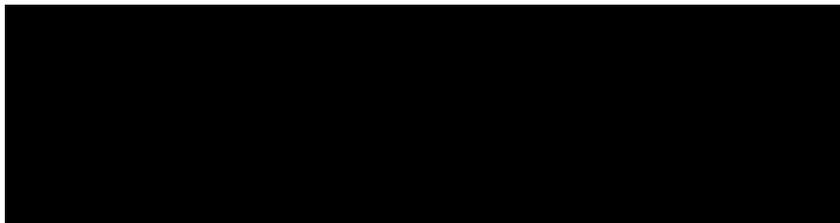
Mamie Kresses, Esq.
Edward Glennon, Esq.
United States Federal Trade Commission
Washington, D.C. 20580
e-mail: mkresses@ftc.gov; eglennon@ftc.gov

Re: CIDs Directed to Nordic Clinical, Inc. and Encore Plus Solutions, Inc.

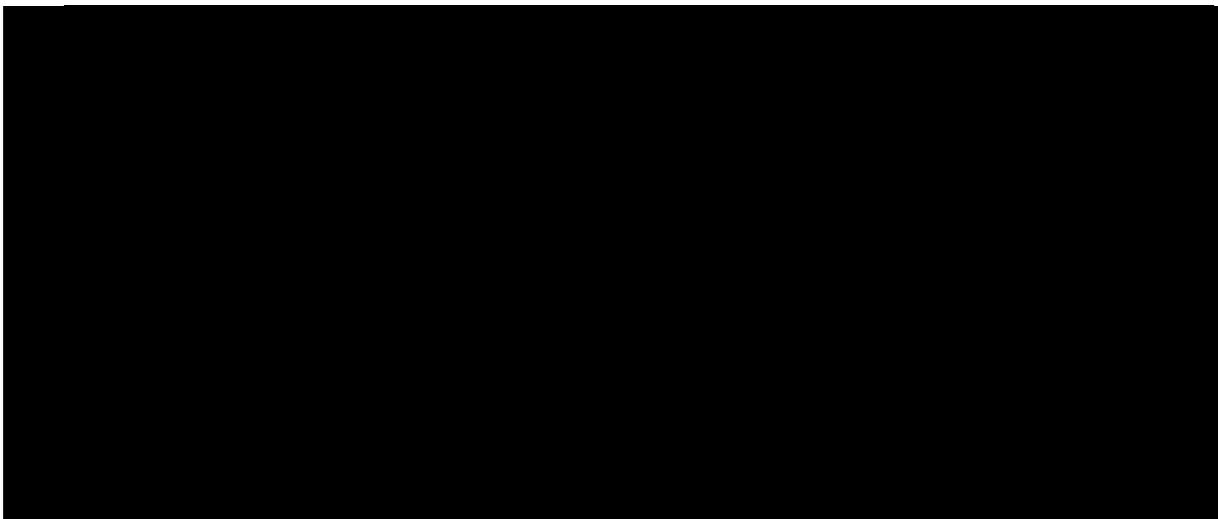
Dear Mamie and Edward:

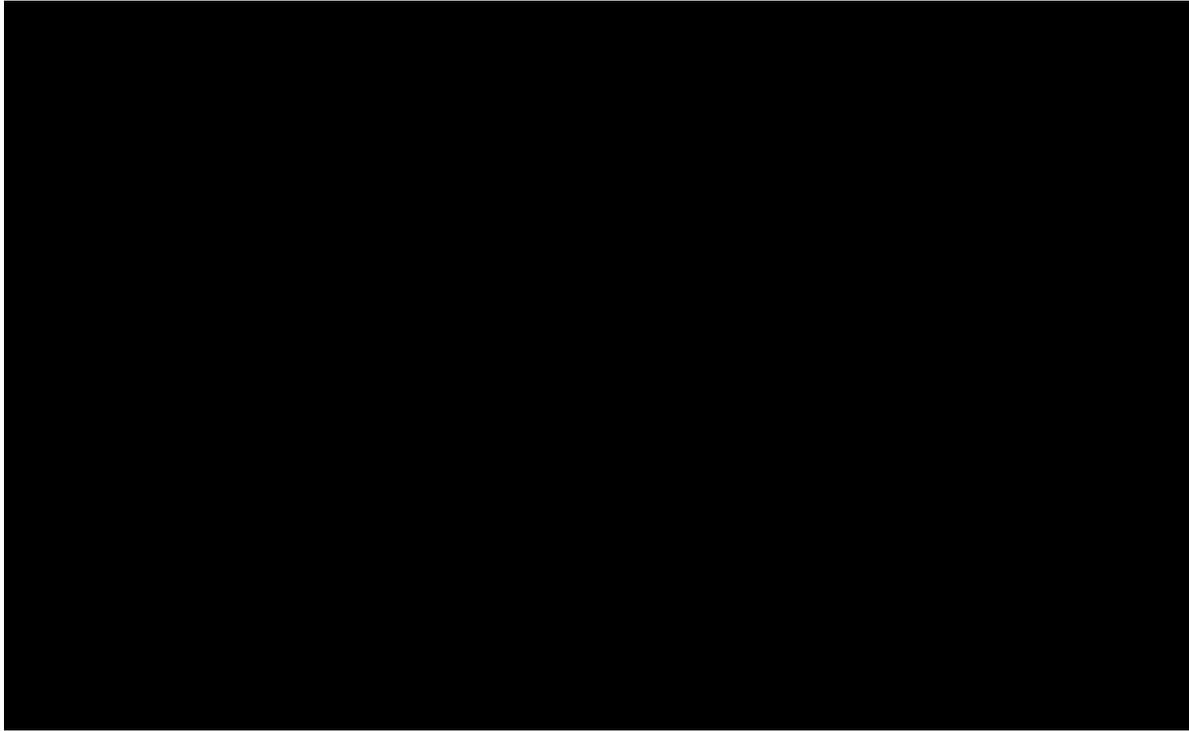
I am writing to follow up on the meet-and-confer call we conducted on Friday, January 5th.

On August 18, 2017, this office, on behalf of our clients, responded to the Federal Trade Commission's initial CIDs. [REDACTED]



We learned of these matters as follows:





All of these developments occurred after the initial CID responses were made. In light of these facts, and in order to avoid the very real Fifth Amendment concerns raised by the FTC's attempts to conduct civil deposition in the face of multiple parallel criminal investigations, we suggest the FTC withdraw the two CIDs and agree to one of the two following alternatives:

(a) Stay all FTC administrative proceedings until the resolution of the criminal investigations. My clients will enter into a tolling agreement so that that FTC cannot be prejudiced by the passage of time; or

(b) My clients will answer written interrogatories to be propounded by the FTC in lieu of the depositions, with the understanding and agreement that my clients will be allowed to assert the Fifth Amendment and potentially relevancy in response to individual questions. No waiver of any rights against self-incrimination shall be inferred by the written answers or by the act of answering some or all questions. My clients will enter into a limited tolling agreement similar to the one we agreed to in July of last year.

While you are considering these alternatives, please confirm that the FTC has agreed to extend the time in which our clients have to file a motion to quash, which we calculate as being January 12, 2018.

Very truly yours,

/s/ Andrew B. Lustigman

Andrew B. Lustigman